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ABSTRACT

The conference report focuses on three problem areas: the role and objectives of the employment service in meeting society's needs; Federal, State, and local responsibilities and relationships in public employment service; and financing the public employment service. The report contains workshop reports on each of the three problem areas presented by Charles E. Odell, Mary A. Hallaren, and Curtis Aller. The body of the report (121 pages) consists of addresses and papers presented by: Jacob Clayman, J. S. Craiger, Edward L. Cushman, and Eli Ginzberg discussing the first problem area; William L. Heartwell, Thomas C. Maloney, Philip J. Rutledge, and Nathaniel L. Semple discussing the second problem area; and Geraldine M[illegible]deman, Leonard Lesser, and Henry Rothell discussing the third problem area. In addition, William H. Kolberg keynoted with a speech on Mandates and Issues Confronting the Public Employment Service, and Beatrice G. Reubens discussed the employment service in foreign countries. Edited concluding statements of William B. Lewis, Murray Comarow, F. J. Walsh, and William H. Kolberg are also included in the report. Appendixes covering 30 pages include the conference agenda, points considered in preparation of formal papers, a summary of organizations participating, a list of participants, and "Jobs"--a description of a film presentation. (JR)

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THE ROLE OF THE PUBLIC EMPLOYMENT SERVICE
1975-1985

FINAL REPORT

of the

Joint Conference
of the
U.S. Department of Labor,
Manpower Administration
and the

Interstate Conference
of
Employment Security Agencies, Inc.

November 30, 1975

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FINAL REPORT

Joint Conference of the U.S. Department of Labor, Manpower Administration, and the Interstate Conference of Employment Security Agencies, Inc., on "The Role of the Public Employment Service: 1975-1985," Pick-Congress Hotel, Chicago, Illinois, April 22-24, 1975.

Prepared by
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of
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CHAPTER 1

INTRODUCTION AND HIGHLIGHTS

INTRODUCTION

Although the Wagner-Peyser Act has not been amended since its enactment in 1933, numerous laws and directives have diffused the original mandate of a free public employment service for all citizens. The sometimes conflicting directives have dampened the effectiveness of the organization. Both supporters and critics of the Employment Service agree that its role has been blurred--its objectives are uncertain.

In early 1974, the need was recognized for a systematic study to learn how the Employment Service can best serve the nation, and what should be its future role and direction.

The objective of the project was to obtain ideas leading to a definition of the role of the public employment service in the coming decade. The method used was a national conference, jointly sponsored by the U.S. Department of Labor, Manpower Administration and the Interstate Conference of Employment Security Agencies, Inc.

A joint MA/ICESA Policy Committee was formed to develop the theme of the conference, consider and select agenda items, and guide the activities. In October, 1974, the Committee selected the general theme: "The Role of the Employment Service: 1975-1985."

The dates of April 22-24, 1975 were selected to allow enough time for the planning process, the selection of speakers, and the preparation of formal papers. Since participants would be drawn from throughout the nation, Chicago was selected as a convenient midwestern site.

Participants were drawn from academia, business, labor, government and fee-charging agencies, as well as from the Department of Labor and State employment security agencies--including both supporters and critics of the system. A list of participants is included in Appendix D.

Three sessions were structured to focus on major problem areas: (1) What should be the role and objectives of the Employment Service in meeting society's needs? (2) What should be federal, state, and local responsibilities and relationships? and (3) How should the public employment service be financed?

Author/speakers of varied backgrounds and views, headed by Assistant Secretary of Labor for Manpower William H. Kolberg, were selected to encourage a wide range of input. Each author/speaker was assigned one of the three major questions for his or her paper. Each was given a list of points (see Appendix B) relating to the question to consider when preparing the formal paper.

Participants were assigned to one of six concurrent workshops on each of the three topics and were instructed that their ideas, rather than conclusions, were wanted.

After the workshops, the workshop leaders met to discuss major recommendations surfaced in their groups. Later, they summarized their sessions for the conference participants (see Chapter 2).

The Joint MA/ICESA Conference was not intended to result in decisions or accords. The Conference was conceived as a first step in the process of self-examination that would help determine the ES's future role and help plan long range actions consistent with that role. Under the general theme of "The Role of the Public Employment Service - 1975-1985," the conference was to:

. Focus attention on problem areas.
  - This was accomplished by selecting authors from a wide range of backgrounds to present differing views on the same subject.

. Encourage expression of participants' views and recommendations.
  - Assigning participants to workshops in each of the three major topics was successful in yielding animated participation and the free expression of ideas.

. Produce a list of issues for later policy and program review.
  - Selected points made either in the formal papers or in the workshop summaries are now being evaluated.

Few participants addressed the ten-year term of the theme. Since the majority were state administrators or program operators, airing their current, pressing operational problems appears to have been the necessary, though unplanned, first step in a process of evaluation and change which may extend deep into the decade under consideration.

CONFERENCE HIGHLIGHTS

The conference was keynoted by Assistant Secretary for Manpower William H. Kolberg. In summary, he said that the ES has worked well through periods of war, peace, boom and busts. It needs, however, to increase job orders. It should be of use to and used by all workers seeking a job.

He also indicated that in the next decade, we will have a greater percentage of workers over 40 years of age, a greater percentage of women who are permanent members of the work force, and greater mobility of the labor force. We are approaching a computerized job matching system, building on the present job bank system. We will have a better and faster method of assessing local labor market conditions and, finally, we should have a better system of evaluating the performance of each state agency to eliminate inequities which can be a disturbing element in Federal/State relations. With the decentralization of manpower programs, the public employment service must develop new working relationships with CETA prime sponsors. How it accomplishes its work in this new role will have great bearing on its importance as viewed by the local community.

Mr. Kolberg concluded by saying that the central "social" issues the Employment Service must resolve are "Who is to be served?" "What kinds of services will be provided?" and "What size is enough?" Within this context he continued, "Can we make the labor market a better place than it has been? The high visibility of the Employment Service at the local level makes it imperative that we try."

Following are selected ideas presented at the Joint Conference grouped by the three major topics.

Highlights of the Workshops on What Should Be the Role and Objectives of the Public Employment Service in Meeting Society's Needs?

Most participants agreed that the ES's primary goal should be that of a free labor exchange--the emphasis on bringing workers and jobs together. Employment counseling, testing, and job development would be included under this major function.

Participants view the ES as having a major responsibility to develop, analyze, and interpret labor market information since the availability of such data to workers, employers, and community organizations, helps bring workers and jobs together.

The Employment Service role should include preferential treatment to veterans as required by law. Other special groups, including the disadvantaged, should be provided special services based on labor market and individual applicant needs.

In order to reach these goals, participants stressed the need for:

- A National Manpower Policy
  - A clearly defined national manpower policy is needed. The Employment Service should be closely involved in developing and executing that policy.
- Bottom-Up Planning
  - Today, planning is essentially from the top down. The local office should identify local needs within authorized program areas, which in turn can be translated into State and national needs.
- Computerization of Job-Matching Operations
  - Successful experiments in several states confirm that improved and expanded computerization is a major step in modernizing and improving Employment Service operations.
- Strengthened Relations with Employers and Community Service Groups
  - Although employer relations are an important factor in overall ES operations, they are especially vital in helping to obtain job openings for veterans and other special groups. Similarly, good relationships are required with community service organizations to provide access to supportive services for hard-to-employ applicants.

Participants recommended that the work test functions on behalf of UI, welfare, food stamps, and other recipients of transfer payments be carefully studied to focus Employment Service efforts on those who are available for work, so as to avoid meaningless effort for those who are not. The study should include a review of basic policy on this role.

Participants also recommended that enforcement functions be minimized to avoid the conflicting function that the ES faces in trying to get job orders on one hand and police other agencies' regulations on the other.

Highlights of Workshops on What Should Be Federal, State, and Local Responsibilities and Relationships in the Public Employment Service?

Most participants favored the existing framework of relationships but had conflicting ideas for improvement. There were, for example, calls for more assertive Federal leadership, for States to provide greater input to national manpower policy, and for the Federal government to decentralize CETA Title I funding and manpower programs to State agencies. Some felt, for example, that Federal responsibilities should be more general in that the Federal government should provide the States with adequate funds and only broad guidelines in a number of areas including: monitoring, upgrading of nonproductive States, interstate claims, job banks, evaluation and research.

Employment security administrators perceive themselves as needing to improve communications with employers, labor, and their own employees. They need to enhance their image and strengthen relationships with the National Governors' Conference.

States' relationships with other local manpower and educational institutions should be expanded. The ES is uniquely fitted to help interpret the needs of the world of work to educational institutions.

Some felt that over the next decade, States should experiment with consolidating departments of manpower and human service systems. Others pointed out that such experimentation has taken place in several States and has been abandoned.

CETA relationships need to be clarified. There is a need for a clearer national manpower policy in this area. Competition from other manpower programs should be minimized so as to avoid employer harassment and multiple applicant referrals. Prime sponsors should be urged by MA to use ES, but the point was also made that flexibility for prime sponsors to use or not to use ES is critical to the question of decentralized planning. There should be clarification of what services are free to prime sponsors and which should be paid for.

States should give qualified local office management the authority to negotiate with other agencies, including prime sponsors.

The role of the local ES office, its authorities, responsibilities, relationships with other organizations, staff training and upgrading of staff are all considered to be important and in need of examination for improvement.

Highlights of Workshops on How Should the Public Employment Service Be Financed?

Perhaps most suggestions for change were found in this area. Recommendations relating to the sources of funds included keeping the present source, but not level, of financing; breaking the tie to UI Trust Funds; and funding from general revenues. Other suggestions for sources of funding included sharing through separate appropriations by State governments, charging for some client services as well as for contract services performed for other institutions involved in the manpower process. There was a consensus for maintaining the present funding method.

Participants thought that States should have a stronger role in the budget process and want bottom line authority instead of line-item authority. States should be able to rely on a basic consistent financing of staff from year to year with additional amounts for growth in the labor force, add-on projects, and emergencies.

The present practice of recapturing funds from States on a quarterly basis leads to serious management problems at the State level and greatly limits needed flexibility to cope with changing labor market conditions. A two-year funding cycle was recommended to enhance planning and permit better management.

The Balanced Placement Formula was seen as in need of further development and revision to make it more sensitive to local economic and labor market conditions.

Highlights of Address by Dr. Beatrice G. Reubens

Penetration rates for European countries cluster around 15-20 percent of new hires--similar to that for the United States. Other trends, however, are quite different. One is the separation of the employment service from the unemployment insurance system. Another is the growing use of general revenues as a source of financing. There is a diminished emphasis on placement as the primary employment service function.

In most, except for English speaking countries, private fee charging agencies are illegal. Because the political system in most countries is based on a central government, their employment services are organized as a national service.

Based on experience of other countries, employment service improvement could be achieved through:

- Direct participation by management and labor in policy making and administration.
- Ability to recruit and maintain competent and motivated staff.
- Emphasis on staff training--on a continuing basis.
- Development of new and better labor market information.

FOLLOW-UP ACTIONS

Following the conference, MA and ICESA leadership agreed to continue working to define the role of the public employment service focusing on the 1975-1985 decade. Specific responsibilities have not been determined, but it is clear that these will be joint MA/ICESA actions.

One proposal is for a joint MA/ICESA policy committee to be established and a staff assigned to continue the project. It is proposed that this staff review conference and other materials, consult with interested and involved persons, and recommend subsequent steps. The staff will rely on economic assumptions and labor force estimates relating to the next decade to assist in the planning process, and, in this context, will develop areas requiring additional research.

The results of staff actions would be reviewed by the policy committee which would then seek advice on proposed actions from users and other groups and individuals concerned with the public employment service.

CHAPTER 2

CONFERENCE WORKSHOP REPORTS

Transcript of Workshop Summary Report to Joint Conference

"What Should Be the Role of the Public Employment Service in Meeting Society's Needs?"

Charles E. Odell

If Dr. Reubens had made her presentation before we started, we might have done a better job of focusing on ten-year policy issues instead of on our anxieties and frustrations about questions that we couldn't answer.

We started off our discussion trying to identify big issues. A representative of the private agencies asked: Should there be a USES? If there was no USES, would we really need one? What should it do? Another person wanted to discuss management issues and structural problems, such as the total separation of the ES and UI relationship. The group divided evenly on the issue of separation.

One person wanted to discuss organizational ties to consortiums of State agencies such as welfare, social services, health, and other State programs. Generally, the group felt that such arrangements were not as effective as their organizational logic seemed to indicate they might be. Mr. Hewitt suggested that we ought to be discussing models for overall administrative planning structures like the model of the Swedish Labor Market Board and someone else suggested the concept of a Central Manpower Development Agency. These suggestions were recorded but not pursued.

We focused eventually on basic roles, objectives, and functions--and chose the model developed by the Center for Applied Manpower Research's paper on Research Strategies for the Employment Service. We agreed basically that the roles and objectives which were important centered around six basic functions--the labor exchange function, preferential treatment to veterans and other target groups, the work test function, employer services, community services, and enforcement functions. Some said that we should include relationships with education, labor market information, and public relations as major functions.

There was a consensus that the labor exchange function was the critical and central role of the Employment Service. The labor exchange should be primarily engaged in placement of the unemployed, seeking the largest possible listing of employer job orders and more extensive penetration of the job market. Employment counseling, testing, labor market information, and job development for individuals are integral parts of the labor exchange role. The Employment Service should not recruit employed workers, but should not refuse them if they come to the Service voluntarily to seek a better job. A spokesman for private agencies claimed that any form of Employment Service advertising in the media was invading the employed worker market. The group disagreed and disclaimed any effort to attract the employed worker away from present employers.

It was agreed that only veterans should have mandated preferential treatment. It was stated and generally accepted that the better the exchange function was carried out, the more effective the services would be to special groups including veterans. It was agreed that special services to special groups, including testing, counseling, and job development, be offered within funding constraints--based on general market conditions and the special need of particular groups of applicants and employers. It was generally agreed that every unemployed worker has the right to a job placement service without having to pay for it.

It was agreed that the work test for UI claimants in particular was an integral and inseparable part of Employment Service operations. However, discussion reached a variety of interpretations as to whether the work test should apply only to claimants, and how often it should be applied. The consensus seemed to be that it should be selectively applied based on law, regulation, and labor market conditions. It was suggested that the work test function for welfare and food stamp recipients should be more clearly defined and more selectively applied. Cost effectiveness studies of the work test function for these clients were recommended as a basis for rethinking and redeveloping of basic policy on this role.

There was a consensus that employer services were essential to the fulfillment of the three objectives already discussed. The interrelationships among these roles and objectives requires careful planning and structuring to avoid employer harassment from the application of the work test on the one hand, and applicant exploitation by random job search and referral on the other.

There was not adequate time to discuss or explore the remaining list of objectives, however the group unanimously supported the idea that the Employment Service should not be centrally engaged in the enforcement functions with which it is now inundated.

Without adequate funding support the Employment Service cannot run both an effective employment exchange and an adequate range of special services to all the groups mentioned in law and regulation. Veterans, of course, were excepted from this caveat, although it is only fair to point out that the low priority of funding support for counseling and testing in recent years does seriously undercut effective delivery of preferential services to veterans and disabled veterans who are not job-ready. The group did not feel that the exchange role should be sacrificed to divert resources to the hard-to-place. We should do both, but we cannot carry out both functions effectively without more adequate resources and better access to work and training slots now controlled by CETA prime sponsors.

One of the other groups felt that the six-point program was a sound charter of roles and objectives which should be reviewed, revised, and updated. Another made the point that the real critical issue that we seemed to be ignoring was that there was no substitute for effective local office and area management, and that this was the most important ingredient in improving the image and claryifying the role of the Employment Service. Effective management requires a higher degree of decentralization of authority and responsibility to area and local levels of administration. The Employment Service can relate better to CETA, only when area and local ES management is permitted the flexibility to negotiate and deal with prime sponsors on a day-to-day basis.

One group felt that we should be serving employers and workers who can't depend on other organized mechanisms for effective service, while another said we should not concentrate our efforts only on the smaller employer, but meet needs wherever the Employment Service can be effective.

There was considerable concern in one group about the "tilt" of the Employment Service to employers as a result of FUTA financing, although the same group was unwilling to abandon FUTA financing. This group felt that we need a rationale for turning people away, or our uncontrolled intake system will engulf and destroy us. The group argued that we cannot be expected to effectively respond to questions of how big, how much, and at what cost, unless something is done to provide us with better guidelines, or perhaps better legislation which permits us to operate on a more or less controlled caseload or intake basis.

Several groups felt that mandatory listings by all employers was not desirable and had some questions about the efficacy of mandatory listings from Federal contractors. Still an experimental program, we should retain it and try to refine it.

There was overwhelming support for the idea that the States should have more to say in the budget process, not only in terms of putting it together, but in presenting and justifying it to the Congress. The Employment Service has functioned in a sort of passive "sleeping giant" instead of in an aggressive, educational role which says, "This is what we are. This is what we do. This is why we think we are important." The feeling was at least implicit that the paternalistic relationship that had developed in the Federal-State context with 100 percent federal funding is something that needs to be reexamined, either from the point of view of greater involvement in financing at the State level or of greater involvement from the States in putting together the basic financial plan.

The generalization, despite a lot of heated discussion, was that CETA and ES can work well together as long as they understand and respect each other. The problem here is essentially one of following through on the commitment to ensure that those provisions of the law which talk about duplication, overlapping, and indiscriminate competition are properly interpreted and enforced by the Manpower Administration.

Transcript of Workshop Summary Report to Joint Conference

"What Should Be Federal, State, and Local Responsibilities and Relationships in the Public Employment Service?"

Mary A. Hallaren

There was general acceptance in my group of the present framework of relationships. However, some dissatisfaction was expressed in three areas: the onerous federal control of the State employment agencies, the lack of federal support of the State Employment Service, and the lack of a national manpower policy.

Concern was expressed that planning is done from the top down instead of from the bottom up. The State/local ES operation should identify needs which should be submitted for inclusion in plans at the national level. It was acknowledged, however, that the implementation of these plans depends upon adequate appropriations.

Another group agreed that local offices should have the authority and flexibility to make decisions and to shift their staff personnel in order to meet changing labor market situations. However, this should be done within the framework of State law, and must be accompanied by local office accountability. The group identified a need to foster greater involvement in the school cooperative program, helping the transition from school to work.

A third group engaged in an extensive discussion of the competition between State employment agencies and private employment agencies. Private agencies feel very strongly that the public Employment Service should not advertise for applicants. It was noted that there was a clash between the ES and CETA policies where the ES is held accountable, but where there is relatively little accountability among prime sponsors. There is a need to find a mechanism to eliminate the duplication of effort and services between the State Employment Services and CETA. It was recommended that the State ES agencies have bottom line authority as opposed to line item authority.

The fourth group believed the ES wishes to, and should be, involved with CETA, and that it is the MA's responsibility to support the ES and stimulate CETA's use of it. CETA does not relieve the ES of its responsibility to the disadvantaged. ICESA and State Administrators should educate and inform the State congressional delegations about ES and its capabilities. The ES must develop innovative approaches to serve community needs.

Finally, most all participants agreed that the Federal-State Employment Service system is most acceptable over other alternatives such as federalization, local office control, or a quasi-public corporation.

Transcript of Workshop Summary Report to Joint Conference

"How Should the Public Employment Service Be Financed?"

Curt Aller

It is appropriate to end our sessions here with finance. It makes sense to try to begin by figuring out what you are all about. From there you can logically go to the question of how much it will cost, and then finally ask who is going to pay for it.

One group suggested that a task force including ICESA and the Manpower Administration could be created and given the task of developing an agreed upon basic model of the Employment Service system. This model could be divided into its distinct elements so that a reporting system could be installed that would permit you to tell Congress in advance how much it is going to cost to do a particular activity, and then later report back what you did with the money that was made available for that activity. Other workshops also spoke of the need for further documentation of costs and accomplishments, but no one else proposed an organized on-going mechanism for this purpose.

Nearly everyone reported that the unemployment compensation system ought to be kept as the basic source of funding. This expresses more than just the comfortable feeling everyone has with what's familiar. Some groups stressed their fears of any other process that would force a testing of the Employment Service budget in the wide open political atmosphere of budget review process starting with the Department of Labor request, Office of Management and Budget review, White House oversight, and then on to the congressional committees and the Congress as a whole. Title III retains its popularity as a kind of earmarked budget system insulating the Employment Service from the vagaries of a wholly political process, while OMB oversight does provide a degree of accountability.

Most people recognize that additional funding is required whenever you operate a more complex system then could be funded or conceived as needed by the unemployment compensation system. There were worries about the political consequences of using general revenues as a source of funding for these additional services and the uncertainties produced thereby, but there was also a recognition of its inevitability. Everyone was insistent on the necessity for full funding of all new programs, service to other agencies, new requirements such as a new report requested by the Department of Labor, and special requests for information. Many argued that whenever the funding for a new activity is provided and it is insufficient to cover the costs, then you close it up whenever the money runs out--seven, eight, or nine months into the year. This is a cry for a release from the recent practice of shifting internally money from Title III funded activities to carry on any new requirements mandated by Congress or the Department of Labor. In several groups, however, the conclusion was affirmed that there seemed to be no way within the system of adequately conveying what the full funding approach to these add-ons would really require.

Several sources of funding were found generally undesirable. No one favored a fee system similar to the one now operative in Great Britain for use with the professional and managerial occupations. Problems would involve a detrimental creaming process, discontent of employers who felt they were paying double for a referral service, and public dissatisfaction because some users pay while others do not. All were against State and local funding.

There appeared to be universal rejection of Mr. Lesser's suggestion for a tax offset for employers who agree to list vacancies with the system as well as the idea about withholding Employment Service funds in those areas where the Employment Service and the CETA prime sponsor could not come to an equitable arrangement. Concern stemmed from the current tendency of attempting to recapture excess funds from the States after the first or second quarter. This, some stressed, was completely undesirable and the recapture ought to be left to the third quarter in order to encourage better management at the State level.

Consensus on budget allocation centered on the need for some form of formula funding of the Employment Service. It might be possible to determine a base budget geared to such factors as the labor force, new hire rates, entrants and reentrants, and changes in unemployment levels. On top of this, a contingency budget could be provided which would cover the costs of congressionally mandated programs. The Congress might agree to budget for a program specifying how much service, the program level, and the method of financing. You would get a two-tier budget--a base budget, stable and standard or at least predictable in terms of formula factors, and a variable budget determined each year that would cover specialized program activities.

Everyone wants to play a role in the continuing evolution of the Balanced Placement Formula. Some believe there should be a different base period, others want allowances for more activities. Some suggested a more equitable formula system built on a cluster approach in which States and localities would be grouped by similarities and each group given a different formula.

Development of a two-year funding cycle was urged to permit broader planning and better management. You want bottom line authority--the authority to shift line items around as your needs shift. A shift to a block grant system to the States was not desirable; you would rather explain yourself to the Feds than to local State legislators. All of you were against a public corporation, an idea with a decidedly limited legitimacy in the American context. Some, urging a more open relationship with CETA, asked for a written description of the free services offered to CETA, those charged for, and the charges. A stand-by work force similar to that of the UI system, co-location and integration with other human service systems, and concern about inflation were other topics.

In conclusion, all of you are aware of the problems you face living in the current Federal-State system, but it apparently looks far better than any alternative presently under discussion. You are against any radical changes that might give you a quite different approach to financing or accountability to different masters, but encourage limited changes to improve your managerial and operational possibilities.

CHAPTER 3

ADDRESSES AND PAPERS

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MANDATES AND ISSUES CONFRONTING THE PUBLIC EMPLOYMENT SERVICE

An Address By

William H. Kolberg
Assistant Secretary of Labor for Manpower

U.S. Department of Labor

April 23, 1975

It is fitting and timely that we have gathered here today to discuss the future role of the Employment Service. It is fitting because the Employment Service was created during a period in our history when economic travail was upon us as a nation. It is timely because in our present condition the forces that forged the prototype in the 1930's may again help shape a new and hopefully better system for the decade ahead.

What is good about the Employment Service today is well known by those who are represented here. What is deficient about the Employment Service, real and imagined, is on everyone's lips. While it is fashionable to use the equivocal expression that the truth lies somewhere in between, I'll be unfashionable and say that what is good about the Employment Service is good and what is bad about it needs some strong self-evaluation.

We have before us today not a dream, not an untried plan, not an idea as Wagner and Peyser sponsored, but a system that has worked well through periods of war and periods of peace, periods of booms and busts, periods of favor and disfavor.

But, there is no question in the minds of all of us here that if an organization such as the environmental protection agency were determining what changes the Employment Service engine required, it would call for a richer fuel--translated into job seekers from the total spectrum of industry, commerce, and agriculture. It would call for a better carburetor--translated into an Employment Service professional staff capable of handling the rich fuel and mixing it for the proper volatility in the labor market. It would call for a better combustion chamber--translated into enthusiastic employers ready to use our total service. And, finally, it would relegate the exhaust system to the junk heap, because the fall-out from this magnificent engine would be too miniscule to worry about.

Such a millenium is not unattainable. It requires, however, a clear purpose, some new direction, some restructuring, and, above all, some strong conviction that what we have here today is good enough to build upon. I, for one, have that conviction and I am sure many of you do, too.

The Employment Service in the United States has as good a penetration of the labor market as the best of them abroad--West Germany and Sweden. But even among the best, none is able to touch more than about 25 percent of the job vacancies available to the labor force. If there is a problem--and I'm being rhetorical--it is this basic inability to touch the majority of the job vacancies in some manner that needs exposition and solution.

A federally funded labor exhange, expending a portion of the tax dollars of all American employers, should be of use to, and be used by all workers seeking a job. If such an observation is too simplistic, look at the converse. A federally funded labor exchange, using tax monies, is to be used only as a peripheral means of matching low-paid workers to job openings only if all other avenues fail. Unfortunately, this latter view is more the reality than the imaginary.

Therefore, after more than 40 years of success and some failure, it certainly is time to take a hard look at the role of the public Employment Service during its fifth decade.

Where do we go from here? If what we are doing is fine and wonderful, let us adhere to our present operation, make some refinements, and sit back.

Or, we can look at all the people we are not serving today, look at all the potential job seekers and potential employer clients and ask ourselves how we can touch and improve their economic lives.

In the next decade we will certainly have a greater percentage of workers over 40. We will certainly have a greater percentage of women as permanent members of the labor force. We will certainly have greater mobility in our labor force as the new pension legislation makes its impact. We will certainly have some sort of computerized worker and job matching system in place on a national basis. We will certainly have a better system of allocating federal funds to those States that do a comparatively better job of placing job seekers. We will certainly have a better and quicker method of assessing local labor market conditions with their occupational surpluses and shortages clearly delineated to have an effect on our planning. And, we should have a better system of evaluating the performance of each State agency so that inequities will no longer be a corrosive element in our relationships.

All of these certainties, and many more that I am sure you can think of, must have a place in your deliberations.

I mentioned earlier the problem of labor market penetration. Perhaps, we have all the job vacancies we can handle and don't want any more clientele. Perhaps a quarter of all vacancies is the most we ought to handle. Perhaps what we need is quality penetration with a better selection of job orders within limits set by the total fiscal resources made available to the Employment Service. Undoubtedly, greater penetration, even with tremendous improvement in efficiency and manyear productivity, would require some increase in funding.

We should not delude ourselves about funding in the present and future. We will certainly be limited by stern budgetary strictures imposed by surging, if unavoidable, deficits of the federal government.

The question then becomes: Can we match larger numbers of job applicants having a wide variety of skills with commensurate employer job orders?

If we answer that with, "Yes, we can, but only if we get more money," then we are, perhaps, missing the point. I think the primary question before us today is how the ES can perform at higher levels of productivity. The question before us to consider is how the professional competence of our State staffs can be raised through continuing and periodic training to attain uniform high levels of ability.

Having a trained and competent staff is no problem if the staff is merely required to learn some specific tasks and simply repeat its functions from day to day. Is the staff of the public Employment Service to be limited to some specific tasks to be repeated daily, tuned finely to a nondeviating firing order?

I think we have to answer that question with another. Are we asking the Employment Service to do too much? Is its focus being blurred and smudged by too many tasks, too often requested, squeezed too tightly into a demand time frame?

The public Employment Service today has a great variety of responsibilities befitting its role as a major federal-State-local deliverer of manpower services. It operates as a labor exchange with the job of interviewing, testing, counseling, referring and placing job seekers, as it takes and lists job orders from employers.

It has the job of certifying persons as being disadvantaged.

It has the job of registering welfare recipients and adjudging those able to work and finding jobs or training for them.

It has the job of registering persons for food stamps.

It has the job of registering workers who lost their jobs due to the impact of foreign trade and finding suitable work for them.

It has the job of certifying housing conditions of migrant farm workers.

It has the job of providing special services to veterans and older workers, and handicapped workers, and youths and prospective apprentices.

It has the job of keeping statistics on all of its operations and, at the same time, working up labor market information for use by the nation.

It has the job of developing facts as to the availability of resident workers, wage rates, working conditions, to enable the Secretary to determine the certification of alient workers.

It has a variety of equal employment opportunity responsibilities, both within and without its agencies.

It has the job of developing area unemployment data for a variety of purposes including the determination of eligibility of areas for public works and economic development.

It has a myriad of other tasks too numerous to continue listing here.

It may come as a distinct surprise to many of you here that the public Employment Service operates today not only under the authorizing Wagner-Peyser Act of 1933 but also under mandates stemming from 21 other pieces of federal legislation (not counting such major amendments as work incentive, for instance), 17 Executive Orders, 19 arrangements with other federal and State agencies, and 2 court orders. And, in its 42 years of existence it has been relieved of only 4 legislative mandates--and those were replaced by CETA.

Again, are we asking the Employment Service to do too much? I would like to answer that question but I, for one, do not want to color your deliberations with my opinion. I will leave it up to your collective minds to consider some possible answers.

I want to point out, however, that with the decentralization of our comprehensive manpower programs the public Employment Service has some new local working relationships to foster and serve. How it accomplishes its work in this new role with CETA prime sponsors will have great bearing on its importance as viewed by the local community.

I will not dwell on this aspect other than to say this: the fact that CETA sponsors are using, in the aggregate, something like 700 man-years less of ES services than it was providing under MDTA and EOA, should be of some concern to the ES. What should the ratio of participation by ES with the prime sponsors be? More than before CETA? As much? Or less? The answer may be obvious but I think this concern should be explored in depth. Decentralized manpower programs are here to stay and the next 10 years will see some significant changes in ES operation as well as that of the prime sponsors.

What we decide or plan here today will certainly have an impact on what evolves in the years ahead.

I don't think any discussion of the public Employment Service and its role in the next decade would be complete without an examination of the dichotomous role it presently has as a straightforward labor exchange and as the enforcer of some public laws and rules.

The issue rests primarily on those dilemmatic horns--on the one hand the ES is assigned the role of convincing employers to place job orders with us and hire voluntarily the applicants we send them, and, on the other hand to act in the role of "enforcer."

It is expected of the ES that it be aware of infractions or extra legal situations involving the employer placing a job order. Under law, the ES cannot and should not place persons in jobs with firms that are undergoing legal restraints of some kind involving equal employment opportunity violations, child labor violations, wage and hour minimum wage

wage violations, safety and health violations, migrant worker registration, and so forth.

Consequently, employers under this type of restraint tend not to place orders with the public Employment Service. And, if they do place orders, it becomes the responsibility of the ES to somehow know about the status of the employer.

Because we have not been careful enough in making certain we are doing all we possibly can under these laws and rules, we have had the courts ordering us to do our job...a head-shaking situation.

Do we want to do something about this business of compliance and enforcement as our responsibility? Do we have alternatives that will satisfy everyone...job seekers, employers, the courts, the Employment Service, the law itself?

Whatever you decide as a possible course of action--if any is to be taken at this juncture in history--bear in mind that justice to the worker is the basic consideration and the law is not an ass. Real solutions must be found to help us promote the employers' interest and protect, simultaneously, the rights of all workers. Complaint systems and compliance actions must have an important niche in the furtherance of a labor exchange. Whether it belongs within the purview of the Employment Service is the question.

After having said all of this, I believe the major or central "social" issue the Employment Service must resolve is "Who is to be served," "What kinds of services will be provided," and "What size is enough?"

The major economic issue may be "How much free ES service is enough?" That is, assume for a moment that we operate our placement activities with maximum efficiency. If we get another $50 or $100 million dollars to be spent on public services (or returned to the citizen through a tax cut) should any part of it be spent on buying more free placement services? What is the marginal value to the efficient operation of a labor market of another million placements?

It is generally accepted that to provide the maximum range of job opportunities available at any ES local office, all employers must be served. But, how do we get voluntary participation by all employers? Perhaps the fact that the service is provided without a fee to employers (we won't talk about the taxes he pays) tends to cheapen the value of the service offered by the ES in the eyes of employers. Perhaps we should look into a fee schedule for such services, the way some European countries approach this problem. Perhaps the mandatory listing requirements need a broader base. Whatever the answer, there is little doubt that without broader employer participation with a broader scope of occupational offerings, the public Employment Service cannot move beyond the present narrow scope of occupations it offers to applicants.

In this respect, perhaps employers could be better served if some sort of a system of separate job-order offices were established for them to instill the feeling that the Employment Service is in business to handle all their occupational groupings.

The British have an interesting new approach to this concept. Their Employment Service established about two years ago a completely separate function and activity for professional groups. They have separate offices in most major labor areas for managers, engineers, accountants, executives for the "front office," and other distinct occupational categories. The employers pay a fee for this specialized service and the word is that this pilot program is receiving much employer support because they are getting special attention and better qualified applicants for their job orders. Of course, the job applicant is also getting better service. The British are planning to expand this special grouping system to include technicians and white collar groups below the managerial level as well. They have some problems to be ironed out including how many types of occupations such specialized services should embrace.

With this is mind, who are the types of job seekers we should be serving in the United States? We have those with the greatest need: the economically disadvantaged and we have those with the "job ready" tag. Then we have the consideration of those job applicants massed in urban areas and those sprinkled about in large rural areas and regions. It is clear that rural workers, minorities, and both sexes must have equal access to service, and that veterans in all circumstances will have preferential service. Disadvantaged workers are mandated for service in programs funded by CETA and WIN, but not in programs financed under Wagner-Peyser and Unemployment Trust Fund legislation.

All right. If services to all is mandated by both legislative and judicial action, the important variable remaining is: What kinds of service to different kinds of applicants? Should it be a service oriented more to economic or to social objectives? Obviously, the Employment Service must be flexible enough to respond to both objectives.

In reference to service to the unemployed, I wonder how much thought has been given to a situation prevalent in most states about a so-called registered job seeker? You know, the person who walks in, is interviewed, usually tested and counseled, and is then placed in the active file because there is no suitable job for him available that day. It is generally conceded that the person who has the best chance to be referred is the person who is physically in the office when a suitable job order is available. Rarely is the so-called active file checked for job referrals. I won't go into the ramifications of this because many of you are quite aware of what I am talking about. But, we must treat fairly all applicants--those on hand and those whose cards are in the stacks. New computer technology can help us here.

I believe I have talked enough about some of our major mandates and issues confronting the public Employment Service.

What most of my observations boil down to is this: this country has a wide variety of expectations from the Employment Service. There are serious expectations from as high a level as the White House and the Presidency to as low a level as the itinerant farm worker migrating with the harvests. Everyone has an image of the Employment Service with expectation levels that cannot be realistically achieved under the present limitations of total resources including funds, staff, technical and mechanical ability, and organizational structure, even with reasonably increased productivity in the system.

Our task today is to concentrate on what is possible for the Employment Service in terms of its total resources. What should the ES be doing over the next 10 years that will bring more employers to rely on it to list more and better job orders and expect more and better job seekers? How can this be done without raising fear on the part of employers that the Federal-State giant is creeping into greater control of the labor market? Can we streamline the local office operation so that the average job seeker will not have to face hours of waiting in demeaning situations more resembling a stockyard than a professional labor exchange?

Can we serve the economic and manpower goals of workers and employers and the social goals of society? Can we make the labor market place a better place than it has been? The high visibility of the Employment Service at the local level makes it imperative that we try and make others aware of our efforts.

Can we do any of this in the next decade? We can certainly start here.

WHAT SHOULD BE THE ROLE AND OBJECTIVES OF THE PUBLIC EMPLOYMENT SERVICE IN MEETING SOCIETY'S NEEDS?

THE NEED FOR FOCUS

A Paper By

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The subject title chosen for this particular session of this Conference on the future of the Employment Service, namely, "The Role of the Public Employment Service in Meeting Society's Needs" contains the key to the problem which has plagued the Employment Service for at least the past 25 years. "Society's Needs" is so broad, so vague and so undefined, it's no wonder ES has been floundering. There are too many needs, too many problems; targets are too diffuse. But the Employment Service, taking its mandate from the more than 40 year old act which provides its legislative base, the Wagner-Peyser Act of 1933, has never quite found the focus which would enable it to deal effectively with a manageable part of society's needs. Indeed the ES seems unable to determine which of society's needs it *should* even try to meet.

Too often the Employment Service has tried to do everything -- with the frequent result that nothing is done well. The hard fact is that Employment Service resources are limited -- and in fact will always remain so. But Employment Service managers and policy makers have frequently acted as if the funding limitations were only a temporary, even accidental setback for their agencies, imposed by a Congress or an administration which either because of stupidity or hostility or both did not fully understand the place of the Employment Service in society. These people have acted as if with a little more persuasion, a little more effort, Congress and/or the administration would see the light, and shower the ES with "manna" so that it could "do its job." This is wishful thinking, a lotus-like reverie that has been going on for decades. The fact is that neither Congress nor the various administrations are either hostile or stupid. I think that there is in Washington a fair understanding of the problems of the Employment Service and a desire to make it work. But since resources will always be limited by the necessity for establishing priorities, employment service appropriations will always fall short of the desired level. As a result, hard choices will have to be made.

It is time for the Employment Service to recognize this reality. It is time for the ES to find the focus which will make possible the most effective use of perennially limited resources. In this paper, I would like to discuss some of the problems that need to be resolved if such focus is to be achieved. First, however, let me say a word about federalization of the Employment Service. Such a course has long been recommended by many leaders in the labor movement, and in my mind, there is no denying that federalization could help give the Employment Service the focus that it needs. Federalization would certainly be one way to assure that the Employment Service operations were consistent with and supportive of national social and economic objectives. But federalization is not the issue here. However one may feel about it, at the present time the question of federalization is an academic one. The Federal-State partnership which the Employment Service represents is not going to be dissolved in the near future - - if ever. Pragmatically, the issue is not how to destroy its unique partnership -- but how to make it work; how to make it into an effective instrument for national policy.

Universal Service

One of the basic problems facing the Employment Service in achieving a focus for its activities lies in the Wagner-Peyser Act itself, and its requirement for universal service. The act states that there shall be a "national system of employment offices for men, women, and juniors who are legally qualified to engage in gainful occupations." That includes just about everybody and has usually been interpreted as a requirement for an open-door policy. The interpretation I believe is a correct one. However, it should be remembered that the Wagner-Peyser Act came at a time when the Nation was in the midst of its most serious depression, millions were unemployed and seeking work, and the labor market was simply not functioning. Wagner-Peyser was in direct response to a critical national need.

The right of every worker to employment assistance was recognized in the Wagner-Peyser Act--and of course that right is as good today as it was in 1933. However, without the resources to translate that right into effective action, the question is more philosophical than practical. Maintenance of an open-door does not mean that every applicant needs to be provided with the same services, either quantitatively or qualitatively. With limited resources, the employment service must exercise some selectivity as to how those requirements are used. In my mind, there is no question that it should be made on the basis of need.

Priority in service must always go to those who need help most. That means the disadvantaged; the people who are least able to compete successfully in the labor market on their own. Even Wagner-Peyser recognizes the need for priorities, at least, by implication. The act singles out for specific mention the groups who were most disadvantaged at the time the act was passed, namely veterans, the handicapped and rural workers-- and requires that special treatment be given to these groups. In so doing, it seems to me that the framers of the legislation established a precedent both for the establishment of priorities, and by inference--that the priority should go to the disadvantaged. For the disadvantaged, the Employment Service is not only an open door, it is often the only door.

As a nation, we have not had much difficulty in deciding how public a public service should be in other areas of social policy. For example, we have not insisted that publically supported health services must be available on an equal basis to all citizens. Certainly we should be able to make the same kind of selectivity in providing public employment services.

Employer Relations

The argument is frequently made that the Employment Service must of necessity be employer-oriented rather than applicant-oriented if it is to fulfill its role as a major element in the labor market, linking job seekers to jobs. Proponents of this argument claim that since the Employment Service is dependent on job orders if it is to place job applicants, and since job orders can only come from satisfied employers, therefore every effort must be made to assure employer satisfaction, even if it takes "creaming" -- placing only the "best" applicants to do the job. While admitting the special obligation of the Employeemnt Service to help the disadvantaged, proponents of the satisfied employer theory claim that these groups cannot be helped unless ES has gained the confidence of employers by providing them with only the "best" qualified workers, and then, at some time in the future, the employers will be willing to accept the disadvantaged who may be less qualified.

A few years ago, the Employment Service looked at the declining rate of placements and concluded that its emphasis on the disadvantaged brought about as a result of manpower and civil rights legislation of the 60's was the cause of the decline. The reasoning was that the Employment Service had concentrated on the disadvantaged to such an extent that employers lost confidence in its operations and stopped listing their jobs with the Employment Service. An all out effort was then made to concentrate on improving the placement record, primarily by a new emphasis on providing service to the employers, and in fact the ten year trend was reversed and placements did increase. However, it is worth looking at a few other figures to get an understanding of what really was happening. In FY 1970, the Employment Service reported that approximately 6.7 million job openings were listed with its offices. Against these openings, approximately 6.7 million job openings were listed with its offices. Almost one million of them (964,000) were the disadvantaged, who accounted for 21 percent of all placements. Furthermore, 58 percent of all the disadvantaged who applied to the Employment Service were placed in jobs.

In 1973, as a result of the effort to improve services to the employers, and theoretically thereby improve the chances of placing the disadvantaged, the number of jobs listed increased to 8 million, a twenty percent increase in job listings. This was comparable to the general increase in non-agricultural employment in the same period of about 8 percent--so the Employment Service record could be considered impressive in terms of job orders. (The mandatory listing requirement for federal contractors may have also had something to do with the improvement.) However, placements dropped to 4.1 million and the number of disadvantaged placed dropped to 700,000. Although it is true that the disadvantaged represented 26 percent of all those placed, the percentage of disadvantaged who applied successfully for jobs at the Employment Service decreased from a healthy 58 percent to only 18 percent. In other words, on the basis of these figures through 1973--taken from the latest manpower report--it would appear that the satisfied employer theory does not work. It will be interesting to see what the record shows for 1974 and 1975 when those figures become available.

Clearly the Employment Service must provide good service to employers if they expect to have employers list jobs with them. But service to employers does not negate the necessity to serve the disadvantaged. Nor is service to the disadvantaged inconsistent with the provision of quality service to employers. By focusing on the employer and referring only the best qualified applicants, the Employment Service risks falling into the common trap as to what best qualified means. As we all know, employer qualifications frequently reflect discriminatory attitudes about some kinds of workers, or are based on unrealistic requirements for particular jobs. Because an individual is disadvantaged does not necessarily eliminate him from considerations as the best qualified. In fact, the Employment Service has a special responsibility to make sure that the disadvantaged worker is considered. Not only that, but often there are manpower services that can be provided to the disadvantaged applicant so that he can make himself into a "best qualified" applicant--perhaps with some skill training or basic education, or help in resolving a family or personal problem, for example--the need for day care or transportation assistance, or minor medical treatment.

If the Employment Service is not willing to take on this responsibility, who will? Obviously, there are alternate sources of employment assistance to the disadvantaged. There are groups and agencies more or less waiting in the wings to take over where the Employment Service leaves off. For the most part these organizations are the community based organizations--the community action agencies, the OIC's, Urban League, SER and others--which came into being during the 60's simply to fill the vacuum created because the Employment Service was not doing its job in regard to the constituencies they represented. To these community-based groups have now been added local agencies established by prime sponsors under CETA--agencies which are now in competition with the Employment Service. Some people are saying, "well so let it happen." Let the prime sponsors and the community-based organizations take care of CETA and handle the disadvantaged if they want to, and the Employment Service will then be free to concentrate on the other segments of the labor market. In my view, such a course would be a grave mistake. If the Employment Service were to wash its hands of the disadvantaged, and deny its responsibility to serve those most in need of employment assistance, it would be digging its own grave.

Public agencies are established in response to public needs--to meet social and economic problems. If those agencies opt not to meet that need, they lose their reason for being--and along with that, the basis for continued support with public funds. Substitute arrangements would surely be developed--arrangements which would be supported by public funds--and the Employment Service as we know it would cease to exist. I believe that if that were allowed to happen not only the Employment Service but also the nation would be the loser.

Labor Market Penetration

For many people the ES penetration of the labor market is seen as the ultimate test of ES effectiveness. ES enthusiasts would like that penetration ideally to reach 100 percent. ES detractors would just as soon it dropped to zero. Penetration is perceived as the share of the labor market activity for which the Employment Service can claim credit. There is of course a lot of labor market activity--but the most easily measured outcome of this activity is the placement of people in jobs. A good measure of ES penetration therefore is the ratio between ES placements and the general hiring activity as indicated by the new hire rate. Using this measure, the penetration rate of the Employment Service has hovered around ten percent to fifteen percent for years--despite policy changes which swung the ES from concentration on "image" to concentration on the disadvantaged and back again. However the essential question is not really how to improve that penetration rate, but whether it needs to be improved. I would like to see a broadened use of ES but is it so bad that not everybody goes to the Employment Service to find a job? Why should the ES consider a fifteen percent, or even a ten percent penetration rate a mark of failure? I don't think it should.

In 1933 when the Employment Service was first established, there was no functioning labor market. However things have changed considerably since that time. New labor market institutions, new job seeking and working recruitment arrangements have developed, so that the Employment Service activity is hardly synonymous with labor market activity if it ever was. There are all sorts of ways by which workers and employers get together. They are of course well known to you. For example, employers have established personnel departments which are vastly different from the limited personnel activity that existed in 1933. Colleges, universities and technical schools have their own, frequently very effective, placement offices for their graduates. Secondary schools have established counseling and guidance services for their students. They may not be as good as we would want them--but who ever even heard of a school guidance counselor in 1933? Even the use of newspaper advertising for both workers and employers has improved. In some occupations and industries, labor unions operate hiring halls--which are very effective adjuncts of the labor market. And finally, although the Employment Service correctly fought the fee-charging agencies when they were threatening to take over the public service provided by the ES--there is a limited place in the labor market system for those agencies, too. As long as it is not overdone, there is nothing inherently wrong with either employers or individuals using the part of the system which best fits their needs. The role of the Employment Service then must be to do--and to do well--those things that no other part of the labor market is doing or can do. Service to the disadvantaged ranks number one on any list like that.

During the 60's those who were concerned about the Employment Service and with making it into a more effective instrument of national policy began to look toward modernization as providing the answer. During this period as you recall, management techniques underwent a tremendous revolution--and to many, it seemed that the Employment Service could and should benefit from this revolution. Computerization was seen as the magic key to successful transformation of the ES into an efficient, respected, and major element of the labor market. The first step was the introduction of the Job Bank--thereby assuring that all job orders would be accessible to all interviewers and even to community based organizations throughout a labor market area. This was followed by the first experimental efforts at computerized job-man matching, ideally leading to a system in which every applicant can be screened against all job orders, and every job order can be screened against all applicants. I understand that the experimental system has progressed to this point in only a very few places--and only recently at that. A great deal of money has been spent on these modernization efforts--and as yet very little seems to have come of it. There are undoubtedly good reasons for this.

One of them perhaps is the uncommonly high expectations that were associated with these developments--particularly with the Job Bank. In an effort to get congressional approval of funds for nationwide extension of the Job Bank, the administration made great claims for the

Job Bank as a potential solution to the structural unemployment problems. We know now--and indeed we knew then--that these problems cannot be solved just by improved ES management. However in all fairness, I think the opposite point needs to be made. Although we cannot expect the Job Bank to solve the problems, clearly the structural problems cannot be solved unless there is effective management within the Employment Service. Computerization is not a solution. It is a management tool which may or may not help the ES do its job depending on how it is used. The Job Bank and, to the extent that they have developed, the computerized matching systems can be a useful technical advance, but without some clear focus on the part of the Employment Service--the potential for improved service cannot be realized.

One development in this regard is particularly interesting. In establishing the Job Bank, and the development of the computerized matching systems, the Employment Service moved away from the concept where each interviewer handled only a clearly defined occupational range--generally defined in terms of specific DOT codes--and tightly guarded group of employers--whose needs coincided with the occupational grouping--to a system where all jobs were accessible to all interviewers and all applicants could be made aware of all kinds of job openings. The relationships which interviewers had built up with "their" employers were shattered--and both interviewers and employers apparently were upset. To correct this, the Employment Service under its various employer service improvement projects is now talking about "account executives" --and moving back to a situation where each interviewer carefully hoarded "his jobs" from "his employers"--and the advantages of accessibility would go down the drain. The problem is one that has been faced--with some success--by other large organizations which have moved to large scale computerized operations. The airlines or even American Express (which now provides all of its card holders with the name of the individual--a real person--who is in charge of their affairs) are examples.

Flexibility

The most serious problem that faces the Employment Service concerns flexibility--how to adapt its operations to constantly changing needs. The present situation is a prime example. As the nation continues its economic decline, and as we face the worst recession since World War

II, the Employment Service finds itself in the front line of the struggle to cope with current massive unemployment. In times of high cyclical unemployment--as today--clearly the Employment Service must shift its focus to do its job as defined by the Wagner-Peyser Act and by the Social Security Act. Service has to be provided to those long lines of unemployed. But when that service is provided, the result is usually a cutback on the provision of service to the disadvantaged as staff and resources are shifted from ES to UI, and every effort is made to shorten the lines. There is no easy answer to this problem. However even in good times, the ES has not demonstrated the flexibility which would enable it to respond in a meaningful way to society's needs. When the civil rights and anti-poverty laws were enacted in the 60's and when, as a result of court decisions, there was need to shift focus to assure implementation of the acts and enforcement of the court orders, the Employment Service--for so long tilted toward service to employers--was not prepared to step in and assume that responsibility. As a result new agencies were formed--and it was not until the combination of a serious competitive threat and an insistent administration forced action did the ES finally begin to move in the direction of taking the responsibility laid out by the law and by the courts.

There is a connection here between ES adaptability and ES financing which must be mentioned. Although financing is going to be a topic for separate discussion at another conference session, it is my feeling that the ES funding system has a great deal to do with the employer orientation that has characterized ES operations for so long. Since the agency is almost entirely dependent on an employer tax for its operations, and since it is in effect still linked umbilically with the unemployment insurance system which provides the funding base for its operations--it is not surprising that this employer tilt persists.

Some Suggestions For the Future

How does the Employment Service achieve the flexibility that it needs to meet changing conditions? How does it achieve the focus that will enable it to assume its legitimate share of the responsibility for "meeting society's needs"? It seems to me that several things can be done. First, there must be a clear understanding of the mission of what it is supposed to do and of its relation to national goals. The principle must be firmly established that the national goals are the accepted goals of the Employment Service. National goals must be the principal business of the Employment Service and their implementation must be the overriding concern.

Second, if national goals are to be implemented, there must be strong federal involvement in the direction and control of Employment Service operations. This does not mean federalization. But it does mean a reassertion, resumption and retention of federal leadership in the Federal-State partnership. Finally, provision of employment services is a public responsibility. The benefits of the system accrue to all of us, and not to just one part of society. Therefore the cost of supporting the system should be borne by all of us--and not limited to one group--specifically the employers--as is currently the case. To accomplish these purposes there are some definite steps that can be taken.

First and foremost--it is time to revamp the Wagner-Peyser Act. Even the Constitution has needed some changes over the course of our history. Some changes have been necessary even since 1933. Is Wagner-Peyser more sacrosanct than the Constitution? I think not. Wagner-Peyser is partially outdated--and as it presently stands, it presents a formidable barrier to the development of a responsive Employment Service. We must start with new legislation which clearly spells out the legitimate responsibilities of the Employment Serice--which clearly delineates its role in meeting society's needs. We should not be worried with the problem of universality. The law should give the ES the focus it needs and should provide specifically that priority be given to those workers who are most in need of employment assistance; the poor, the unskilled, the under-educated, and those who suffer from discrimination in any form. While we are at it, it is time to separate the Employment Service from the unemployment insurance system. In so doing, the almost automatic tilt towards employers would be partially overcome and, in addition, the problem that is faced in every cyclical downturn--where the ES purpose is sacrificed to UI necessity, would be eased.

At the same time we should take a hard look at changing the financing system sc that funds for the Employment Service are drawn from general revenues rather than from the unemployment insurance tax. It is likely that such a shift not only would finally cut the umbilical cord that binds the ES so tightly to the employer interest--but also would provide the opportunity for the strong federal direction that is essential if ES is ever to be truly responsive to national goals.

Finally, it will be necessary for the federal establishment to take seriously its responsibility in providing such direction to the Employment Service program. A carefully designed and conscientiously carried out system of budget control and monitoring is an important element of such responsibility. Once these steps have been taken, I think the Employment Service will enter into a new era; an era where there will no longer be a necessity for all of us to get together like this to discuss what the Employment Service should do or not do to meet society's needs. The focus will have been provided. The Employment Service will know to which part of society's needs it should be directing its efforts, the years of administrative frustration and confusion will become a myth of the past, and the nation will have the strong and serviceable national manpower agency it needs.

I do not assert that everything I have written in this paper in regard to ES is precisely spelled out in formal American trade union policy. Some of my observations are personal reflections about a problem which has vexed too many for too long.

WHAT SHOULD BE THE ROLE AND OBJECTIVES OF THE PUBLIC EMPLOYMENT SERVICE IN MEETING SOCIETY'S NEEDS?

A Paper By

J. S. Craiger
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April 23, 1975

I want you to know, at the outset, that I consider it a real honor and privilege to be given this opportunity to speak with you on this occasion of the first Joint Conference of the Manpower Administration and the Interstate Conference of Employment Security Agencies. The crystal ball gazing 1975-1985 is an awesome challenge to me, so please remember that I have no desire to predict the future; my remarks are obviously geared to the position of the employer and are given with humble sincerity. I understand this conference is the kickoff of a program to guide public policy in this area and I am indeed pleased to participate.

If the Employment Service is to continue its basic function during the next decade, then the name of the game is still PLACEMENT.

If you are as dedicated to your responsibilities as I believe you to be, if you are professionals in helping millions of people every year, if you believe that a State-wide Employment Security agency is really the best way to serve the people -- then there are some things you can and must do. I need not remind you that there are those who would eliminate the State-wide Employment Security requirement in the Wagner-[illegible]ser Act. I know there are no statues erected to critics -- but opinion is molded by critics and you can't hide under a rock and avoid those who want to change just for the sake of change. What can be done -- more of what you have been attempting -- only do it better!

If the name of the game is PLACEMENT, then you must educate those whom you serve: tell organized labor, the employer groups, the industrial bureaus and the chambers of commerce. You are the pros -- tell 'em what you've done and how you're doing it better! You have much to tell -- why not show that you're proud of your record.

I spoke with those who attended the Interstate Conference of Employment Security Agencies in October of '73 and said that I believed there was a real need for face-to-face discussions between the E.S. and employers. I know that you are doing some of this -- you need to do more; knowing the changing needs of employers -- and they will change during the next decade -- is vital to the successful placement function. I know this takes staff time, it also takes employer input time -- but it will pay off because you must keep up with employer requests for finding the right person for the right job.

You accomplish another important goal by keeping close track of your employer job needs -- you are building a confidence through service. The employer is key in your professional success story -- if he lacks confidence in your ability to function, then he will turn elsewhere to satisfy his employment requirements.

Those who teach the art of communication, including psychologists, psychiatrists, and marriage counselors agree -- communication is 90% LISTENING. You can communicate better, not just with employer groups, etc., but with your employees. They need to be heard, they need to feel the dignity of their jobs--just as you do -- if you expect your employees to increase their productivity -- and I'm sure you do expect, need, hope and push for these increases -- then you have to communicate --you're not the only person in your shop with a brain! No offense meant, please -- I'm really sincere. I remember a course I took in personal motivation, the instructor was Tom Lawrence, President of Lawrence-Leiter and Company of Kansas City, and Tom said: "assume that every person you talk with has a large sign hanging around their neck which says 'MAKE ME FEEL IMPORTANT' -- try it, you'll be amazed with the results!" You cannot successfully motivate people unless you communicate.

I've been asked whether I believe there are alternate approaches to meeting society's needs in the Employment Service during the next 10 years.

Of course there are -- but there aren't any with the experience, talent and proven ability of your present organization! You have a moving giant -- don't rest on the past four decades of service -- sell your program wherever and whenever you can! You haven't been too bashful or shy when it comes to the financial needs of the Employment Service. You could be more vocal about the great service you provide to every segment of society.

Whom should you serve during the next ten years? As an employer representative, I hope you help find the people he will need. The scope of your activities obviously will significantly depend upon: the budget you are provided; the then current economic cycle; and the new programs pushed by existing administrations and Congress. Please keep high on your priority list of things you must do -- to find the right people for the right job. By continually building a satisfactory performance record with local employers you will be serving a maximum public good. I know that you will find the need to serve casual short term and the disadvantaged -- this is important -- yet you must emphasize, it seems to me, the basic needs of the job seekers who are job ready; this is particularly true today when certain areas are feeling the squeeze of job deficiencies.

As an economist I see the realities of political decisions designed to influence voters with the economic results of unreal cyclical fluctuations in prices, employment and inflation. I do not foresee a reduction in this type of cyclical activity in the near future. I view our immediate economic future under what might be termed the "temperamental shower theory": If my shower is too cold, I turn on more hot, but it doesn't seem to warm up enough, soon enough, so I turn on some more, then some more, then very rapidly I get too much heat and I frantically turn down the heat. It seems as though current plans are to "turn on" a great deal of hot water -- which won't show any warming for awhile -- then it will become very warm, we'll be in for a new round of inflationary scalding before things settle down. Those of you who have been in the Employment Service for a number [illegible] can best appreciate how this kind of political decision making affects your responsibilities to best meet society's needs -- they will fluctuate and you will have to adjust to those changing needs. But you have in the past and I have every confidence that you will meet the challenge of the future.

I am also confident that you are all trying to administer an Employment Service program which will be valuable to the job seeker, the employer and the public. From the employer's side, I know your service can be vital to his successful operation. As you continue to ascertain the employers' needs, and this has to be done as an on-going thing because they will change during a ten-year period, you establish a professionalism and expertise which leads to a smooth and successful service.

In conclusion, let me again emphasize the real need for you, as leaders in the Employment Service, is for more communication. LISTEN to your employees--you'll learn from them and motivate them to greater productivity; listen to organized worker groups and they will better understand your improved services; listen to employers and you will be able to help them find the kind of people they need -- communicate with your spouse -- it helps relieve your stresses and you will be a happier person.

WHAT SHOULD BE THE ROLE AND OBJECTIVES OF THE PUBLIC EMPLOYMENT SERVICE IN MEETING SOCIETY'S NEEDS?

An Address By

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April 23, 1975

The decade 1975-1985 will be one of the most challenging in history, not only to the public Employment Service but to society generally.

That decade will accelerate markedly the economic interdependence of individuals, communities, the States, and of nations. The application of science and technology to meeting the needs of people has created this interdependence while providing goods and services, the kind and volume of which stagger the mind. Even the present recession cum inflation in this country and elsewhere is importantly a result of increasing economic internationalism and the political and economic interests of nation-states, as well as decisions made in the public and private sectors of our own country.

These amazing developments embolden me to prophesy that the next decade will be, if anything, more astounding as man's ingenuity and rapidly-growing knowledge develops more applications of the new frontiers of science. Although the current recession will continue to slow industry's investment in new technology, it provides new and stronger incentives to reduce costs and provide better products and services by substituting capital equipment for increasingly expensive manpower as soon as funds are available.

The implications for manpower planners and services are clear. The post-industrial period is in its infancy. Machines in the Technetronic Era, as Brezezinski calls it, will replace to an unbelievable degree the work of unskilled physical labor and will reduce the demand for semi-skilled repetitive judgments by human beings. Productivity will climb. Human beings will increasingly be available for "non-productive" jobs--

planning, monitoring, and controlling the production of manufactured and agricultural goods. The service industries will continue to expand as sources of employment, but these too will require increasing skills as new technology is applied to them.

The workers of tomorrow, let alone those of today, will require more education and training. Because of the complexity of the economy, more effective and extensive counseling starting at early childhood will be required to help an individual to learn about jobs, their requirements and opportunities, and to understand his own real interests, aptitudes, and proficiencies in relation to jobs. Because society will increase its commitment to equality of opportunity, special attention will be given to blacks, women, and minority groups, to youth entering the labor market, to older workers, to the handicapped, and to workers changing careers. Worker mobility will increase, not only between communities and States, but between nations.

Given this outlook, what should be the role and objectives of the public Employment Service in meeting society's needs?

The Public Employment Service should be a placement service, receiving orders for jobs to be filled by employers and applications for jobs from workers. This is its accepted role, but important as it is, it will not be its most important role in the future if public and private policymakers can be persuaded to make proper use of the public Employment Service.

Throughout its history the public Employment Service has, however, never been adequately developed even as a placement agency. Born in the depression years of the 30's, when job opportunities were limited, it has been dominated by its association with unemployment compensation to such a degree that its role as an employment office has been submerged, as reflected in the commonly-used term "unemployment office."

The relationship of the public Employment Service to employers, private or public, should be voluntary on the part of the employer. He should not be required to hire his employees solely through the public Employment Service. However, the public Employment Service should be organized and funded independently of unemployment compensation so that it can meet the employer's needs, as well as those of the worker, and of related government programs, the most important of which is the work test for eligibility for unemployment compensation and welfare. Employers should use the public Employment Service as a source of manpower, in competition with other private or specialized public employment services, because the public Employment Service best meets their needs.

Perhaps one requirement should be imposed on employers, however unpopular as it would be. Human values demand equal opportunity, and indeed "affirmative action," in promoting opportunities for minority groups and the end of discrimination based on employer policies not related to job requirements, such as race, creed, color, national origin, sex, and age. It may be that the present arrangements for auditing employer's performance should have added to them the requirement that job vacancies be listed with the public Employment Service to enable that Service to compete with private employment agencies and add to the employer's choice of available workers. The employer should, however, be able to select his own employees, whether through advertising, gate hiring, or any other source.

Above, all, the public Employment Service should be a recruitment agency for employers and a job referral service for workers, maintained with competence by professionals. Employers should turn to the public Employment Service for help because the Service is indeed helpful -- and workers should turn to the Service for help because they find the Service helpful. Specialized employment agencies may indeed be more helpful than the public Employment Service in some circumstances. The Service may be inadequate due to lack of funds to carry out its placement responsibilities properly or to poor management and poorly-trained or poorly-motivated staff. But the answer to these problems is to meet them, not to restrict the public Employment Service to serving only the casual labor field or workers with special employment problems.

The anti-discrimination responsibilities of the public Employment Service may discourage some employers from using the Service voluntarily, but all employers and employment agencies, private or public, are and should be required to carry out these same repsonsibilities. Compliance with government anti-discrimination statutes should not be the responsibility of the public Employment Service but of government agencies created for that purpose. Enforcement responsibilities are incompatible with voluntary relationships.

The primary function of the public Employment Service should not be placement. In this amazingly complex world, the Employment Service's top priority should be to counsel individual workers, to advise individual employers about the labor market, and to help educational, training and social agencies to better advise and prepare people for jobs and better jobs. Most important of all, is the assistance that can be given to the individual in helping him or her to learn what particular occupations and jobs require in education and training and personal characteristics, using psychological tests and other tools to understand and analyze his or her abilities, potentialities and interests, and to develop a realistic job goal and a plan to secure that job, needed education and training for that job, or whatever adjustment services he or she may require to prepare him or her for that job.

Public and private schools need to improve their curricula and their occupational guidance services. The public Employment Service should be the most competent single organization in the knowledge of labor market areas and their jobs (trends, requirements, and employer preferences). This competence stems from placement activities and work in the community as well as from national and international studies which can be provided from the Bureau of Labor Statistics, the Bureau of the Census, and other governmental or non-governmental sources. The Employment Service should spark the development of occupational and labor market information within the Department of Labor and in cooperation with the Department of Health, Education and Welfare, the Department of Commerce, and other organizations at the national level, but with the most intimate working relationships between the local employment office and the local schools in each community.

Similar arrangements should be developed between the local employment office and community colleges. More difficult but badly needed is a mechanism for helping four-year and graduate institutions with their occupational counseling of their students.

The maze of social agencies - private and public - constitutes even more of a challenge. Specialized agencies for physically and mentally handicapped, for prisoners and parolees, for the aging, for youth, for veterans, for women, for ethnic groups, etc., etc., can be helped to be more useful if the Employment Service will provide them with occupational information and help them with the training of their own personnel.

Indeed, the local employment office should be the community employment agency - a central point to which workers can go for occupational counseling, to help each one to learn more about himself, his interests, abilities, and potentialities in relation to job requirements, his chances for getting a job which interests him and which he can do, referral to an educational or training agency which can prepare him for the occupation for which he seems suited, or referral to a social agency which can help him to adjust to and meet his special and peculiar problems, if any.

The director of the community employment and job counseling center (now regarded as the manager of the State unemployment office) should be the equivalent of the community school superintendent. As the school superintendent should be the principal source of educational leadership and coordination, the manager of the Employment Service should be not only helping to bring workers and employers together from the standpoint of immediate job placement, but should be the principal adviser to educational and social agencies as to how their programs can more effectively meet the employment needs of the people they serve.

The urgent need for more effective training resulting from the growing need for new and different skills stemming from the radical changes in technology which will occur during the next decade leads to the question as to whether existing training agencies can respond promptly and adequately to that need. Should the Employment Service become a manpower training agency? It is my opinion that that function should remain with the public and private schools, colleges and universities, and with employers and labor organizations. However, the Employment Service, which should be the most knowledgeable organization about jobs and their requirements, as well as of the demand for the supply of workers, should occupy a key role in the determination and evaluation of training programs. Thought should be given as to whether the public Employment Service should not become the government's contracting agency for government-financed training programs, regardless of sponsorship. If not the actual contracting agency, should not the requirement be that any such program be approved by the public Employment Service?

I have identified five roles for the public Employment Service:

1) as a placement agency offering its services to all workers and all employers in competition with other public or private employment agencies or direct employer recruitment;
2) as an employment counseling service, helping workers to develop realistic career plans in line with their interests, aptitudes, and abilities;
3) as an information service, providing occupational and labor market information to schools, colleges and universities, social and governmental agencies, employers, and labor unions;
4) as an employment counseling and placement agency, serve as the catalyst in stimulating and advising government and social agencies, educational and training organizations, employers and unions in providing vocational training and retraining programs for jobs which will be available and require workers with that training;
5) as the expert on employment opportunities and worker availability, certifies the need and appropriateness of government-financed manpower training programs or contracts for them.

The tasks suggested in this paper for the public Employment Service are enormous and complex in response to the enormously complex world of the next decade. It is unlikely that they will be given the resources - money, people, and facilities - required to carry them out adequately. Indeed with adequate funds there will not be enough qualified professionals to staff the kinds of programs proposed. There also exists the dangers inherent in any large bureaucracy. But there are literally thousands of dedicated people in the present employment services who if given enough of a glimpse of the dream of a truly professional counseling and placement program touched on here would respond to that challenge under proper leadership.

The next ten years and beyond can be more fruitful years for many people if the role of the public Employment Service is developed as proposed in this paper. Clearly the public Employment Service today is inadequate from the standpoint of status, organization, personnel, and resources to carry out the mission.

The outlook is a challenge to the States and to the federal government. The States have not responded to the opportunity to develop State employment services other than to accept federal leadership and funding. To what extent has any State embarked on new and experimental employment programs using State funds? Or even using federal funds? And yet the opportunity is there if an imaginative concerned Governor and Legislature can be involved - and federal revenue-sharing funds can be used if the State is not financially able to do so.

If the States do not rise to this opportunity and obligation, at some point the federal government will, and at that point the State Employment Services, now submerged as minor adjuncts to unemployment compensation, will once again become the United States Employment Service, a federal agency with all of the strengths and weaknesses of a Washington-led institution.

In a society that will become even more complex, people will need more and more help to adjust to that society. The public Employment Service can make a greater contribution to that adjustment if it accepts the role proposed in this paper.

WHAT SHOULD BE THE ROLE AND OBJECTIVES OF THE PUBLIC EMPLOYMENT SERVICE IN MEETING SOCIETY'S NEEDS

"ONE MAN'S VIEW OF THE ROLE OF THE EMPLOYMENT SERVICE"

An Address by

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National Commission for Manpower Policy

April 23, 1975

Introduction

The planners of the Conference undoubtedly believed that they had given me an explicit assignment -- that is to set forth the goals of the Employment Service from the vantage of the general public -- one who is not an employer, not a worker in search of a job; not a trade union official, not an executive of a nonprofit organization, not a school superintendent. While I fulfill all the foregoing negatives, it must quickly be added that I am a taxpayer, a long-term student of economics, and a specialist in manpower, as a result of which I have accumulated experiences, knowledge, and prejudices that I cannot transcend. Nor is there any secret about the values that I hold and the goals to which my research in manpower has been directed. As the author of more than 40 books in the public domain, it should be clear that I have practiced dissemination, not concealment.

The point of the long personal introduction is to emphasize just one critical element: no person can talk for the public -- for the larger society -- and even less can he expect that his words be given added respect on the ground that he stands above the battle of conflicting views and values. He, like everybody else in a democracy is, in Aristotle's words, "a political animal."

Some Personal Observations

Since I started in a personal vein, let me try to turn it to advantage by recapitulating briefly what I think I have learned about the environment in which the Employment Service (ES) operates, at least in the eyes of this participant observer. A recapitulation will provide me with a springboard for my assignment which is to set forth the primary functions that an ES should perform for an advanced technological society, such as ours, with a labor force of around 90 million persons, distributed unevenly over a land mass of approximately 3.6 million square miles. In the summary that follows I will focus on factors that impinge more or less directly on the Employment Service.

-- All levels of government have become increasingly concerned about providing manpower and employment services, especially to the hard-to-employ without really facing up to the issue as to what is required to enhance their employment (at least beyond training and referral which frequently are not sufficient).

-- There is a deep-seated aversion on the part of many employers to see the government increase its effective control over the labor market, for fear that they will lose some of their freedom of selection.

-- The bulk of the more desirable jobs in the American economy are filled without the Employment Service having any role in the process.

-- The Employment Service is the only governmental instrumentality directly available to the vast majority of the citizenry and it is therefore fair game to assign it new missions (such as food stamps) without serious prior consideration being given to how additional duties will impact on its existing responsibilities.

-- Since the early 1960's the federal government has entered upon a great many new manpower programs directed at the disadvantaged but never to a point where the resources made available come anywhere close to covering the need. Since the Employment Service has the responsibility for dealing with the employment problems of the disadvantaged and since it cannot possibly be responsive to more than a minority of the clients it is required to serve, it is set up to be the "fall guy" for inadequate public policy and programming.

- -- As a consequence critical agencies in Washington and among the public -- OMB, GAO, spokesmen for private agencies and for neglected minorities, Blacks or older persons, have an easy time pointing out the shortcomings of the ES.
- -- To complicate matters further the Department of Labor has been engaged in shifting signals to the field -- one time the ES is supposed to be a human resources development agency with heavy stress on counseling, testing and related services; at others it is supposed to concentrate on placements, with corresponding stress on cost-effectiveness.
- -- The split responsibilities between the federal government and the States, with associated personnel and career problems connected therewith has further added to the difficulties of reaching agreement about the goals that the ES should pursue and what it requires to accomplish them.

There are some additional problem areas that I would like to touch on briefly if only to indicate that in my opinion they further add to the confusion about goals, performance, evaluation.

In my view, there has been excessive enthusiasm for computerization. There is little that computers can do to compensate for limited job orders; or for difficulties in coding people's skills and potentials.

While I, like many others, believe that there is probably too much record-keeping in ES operations, I am restive about the high expectations from the newly instituted Balanced Placement Formula. My experience tells me that operators will always do what the evaluation system pays off on. The critical question is what will get lost in the shuffle.

On the relatively expensive but still also relatively modest counseling function (circa $20 million plus) it is particularly difficult to reach a balanced judgment. When we published our study Career Guidance, McGraw-Hill, 1971, we advocated an expansion in ES guidance activities. Today I am less clear about the desirable next move. If it were possible to combine the not inconsiderable guidance resources in high schools with those in the ES a critical mass might be achieved. Of one thing, I am sure. To encourage the schools to duplicate what the ES is trying to do makes little sense.

The extent to which the ES can serve professional, scientific and technical personnel is another open-ended question. The experience to date is not particularly encouraging but some interesting explorations are under way and if the U.S. enters upon a complex energy expansion program, the ES may have some new opportunities open to it.

As an outsider looking in I conclude that there is no sound way of determining the effectiveness of the ES at present; and that as long as the aforementioned powerful forces continue to operate the Employment Service is likely to continue to be what it has long been:

-- A large placement agency for filling mediocre jobs.

-- A large network of governmental offices that carries on a series of manpower related functions from testing to labor market surveys with its performance severely constrained by lack of adequate resources.

-- A complex Federal-State structure with only limited support from the groups it seeks to serve; and suffering from totally unrealizable expectations.

Without presuming on the area that my colleague Dr. Beatrice Reubens will treat authoritatively, I cannot help noting, if only in passing, that the Employment Service of the United Kingdom, Sweden, Canada -- the three I know best -- share with our own a range of problems, none of which have been effectively solved including:

-- Difficulties in raising their penetration rates above the 20-30 percent range.

-- Difficulties in referring applicants to other than low paying, high turnover jobs.

-- Difficulties in securing employment support services for hard-to-place clients.

-- Difficulties in working out cooperative arrangements with the educational authorities as to the respective responsibilities of each for assisting youth.

-- Difficulites in dovetailing employment services to employers (best referrals) with responsibility to hard-to-place applicants.

Goals for the Next Decade

The point just having been made that the ES has been overloaded with responsibilities at the same time that it has long suffered from expectations that it could not possibly fulfill, it behooves anyone who addresses the question of goals to be guided by these two lessons. Accordingly, it appears to me to be better to start with the ES as it is and consider the environment in which it is likely to find itself and to suggest changes in functions, emphases and direction within reality parameters rather than to sketch a blueprint of a brave new world that will perforce remain a blueprint. Again for purposes of brevity I will list, with only selective supporting arguments, the transformations that I would like to see in the ES in the decade ahead:

-- Unless the ES can improve its job matching function and thereby win the support of a larger clientele of employers and workers, most of its other missions are likely to be peripheral or poorly executed, or largely irrelevant. For instance, the ES cannot possibly be of much help to the severely disadvantaged unless it succeeds in improving its penetration of the regular job market. Similarly, it cannot really be informed about probable local labor market changes unless it has extended employer contacts that will enable it to obtain, on a confidential basis, information about their future plans. While it may be possible through law and regulation to force governmental agencies and government contractors to list various job openings with the ES -- the recent experience remains to be analyzed in depth -- too much reliance should not be placed on this or any other "forced" actions. In the absence of a national emergency, the pressures favoring freedom for employers and workers to use alternative channels exist and will remain powerful, the more so because of the interests of private employment agencies to protect and enlarge their domain.

-- To the extent that the ES succeeds in broadening its services to a respresentative cross-section of employers and workers to that extent should it be in a better position to do more than in the past to assist the severely disadvantaged clientele. There is no way for the ES to accomplish this important objective except by improving its penetration rate. Even if the federal government were to enter upon subsidies or other special benefits for employers who hire and retain the severely disadvantaged, the ES would be hard pressed to play an effective intermediary role unless it had previously developed an effective working relationship with such potential employers.

-- Only if governments -- federal, State, local -- were to enter in a big way on a job creation program specifically geared to absorbing the severely disadvantaged (as an employer of last resort) can one look to the ES to facilitate the employment of any large numbers of peripheral workers. To the extent that the ES must find places for the disadvantaged in the regular economy, its performance at the best will be limited, since its first obligation will be to refer qualified applicants to the employers.

-- Once the premise is accepted that the ES must be a placement agency -- no matter what additional employment related functions it performs -- then it follows that its ancillary functions should to the maximum degree possible be related to its central mission. No organization that scatters its resources all over the lot can expect to perform effectively. The ES should acknowledge that there are a great many manpower-related services that the American people desire but that they refuse to support properly from career guidance to labor market information. There is no easy way of determining how much in the way of resources the ES should direct to ancillary activities such as testing, counseling, labor market data collection and analysis. To the extent that such activities are directly related to the placement function they are easier to incorporate in the total work plan. To the extent that they are only peripherally connected it might be desirable to have their scope and limits clearly defined with line budgets. Ideally it would be desirable for the ES to be able to furnish some of these services for a fee -- as well as providing them free of charge.

-- The probabilities are high that the segmentation of the labor market by area, industry, occupational group, and still other characteristics will increase in the decade ahead as a result of the continuing internal migration of the population (to the coastal areas), as industries, such as the automotive, face major structural changes; as the increasing output of college graduates face fewer opportunities than in the past. If this premise is correct, then the ES faces a challenge of what it might do to provide better links among its several parts so as to improve the flow of information, jobs, and applicants across State and regional boundaries. While there is little near-term prospect for federalizing the ES, there are opportunities for broadening its reach beyond its presently restricted local confines. Clearly, efforts in these directions might require a restudy of the potentialities of mobility allowances and related supports for workers who face the necessity of relocating if they are to improve their employability.

-- The question has been raised in some quarters whether the ES should take on such new functions as overseeing compliance with various manpower activities prescribed by federal and State statutes and administrative regulations. In my view there is little to be said in favor of such imperialism, much against. My stance has been that the ES has no real reason for existence unless it makes a significant contribution to the job matching task. Clearly, a compliance mission would only compound seriously its ability to elicit the support and cooperation of employers. On that ground alone it should avoid getting involved in any compliance activities.

Concluding Observations

As is true of so many aspects of public policy, the American people established the ES over forty years ago with some partially articulated expectations and goals. Since that time they have added a great many responsibilities onto the system, have increased the resources at its disposal, and have periodically assessed its performance, the results from which were considerable restiveness and disgruntlement, but no fundamental reorganization. Many budget reviewers suspect that the system if giving a poor return on the more than half-billion dollars that it spends annually. The federal bureaucracy is acutely aware of a great many failings in local operations. The senior State Administrators feel that they are being taken advantage of by being asked to do much more than they can possibly accomplish with the resources at their command. The academics bemoan the fact that the ES contributes very little to improving the operations of local labor markets not to mention the national labor market. Most employers prefer not to deal with the ES since they usually encounter little or no difficulty in attracting suitable applicants; and a great many workers particularly those with skills also see little point, even when unemployed, in using the ES, having heard or tested the fact that it seldom has good jobs in its open file.

This presentation has sought to cut through the discontent by:

-- Insisting that the limited success of the ES during the past few decades be understood and its causes appreciated.

-- Emphasizing that only a much sharpened focus, stressing its placement function offers any hope for a strenthened ES in the decades ahead.

-- Pressing for a radical reduction in expectations so that the ES can be held to account in meeting realizable goals.

One final word: the widespread restiveness of the various groups with the ES reflects a deeper problem. The nation has made only a limited number of halting steps to fashion a manpower policy -- Social Security in the 1930's; the Employment Act of 1946; Manpower Development and Training Act and related legislation in the 1960's; CETA in 1973 and the amendments of 1974. In establishing the National Commission for Manpower Policy (Title V of CETA), Congress directed that the Commission carry out a Coordination Study (Section 504) "of the utilization and interrelation of programs of manpower training with closely associated programs such as those conducted under Wagner-Peyser . . ." Until such a study has been carried out, until the country is further down the road in fostering a national manpower policy it is likely that the ES will remain the scapegoat for shortcomings and failures that have their roots deep in the economy and the society. The role of a scapegoat is not pleasant but is may be more tolerable if those so burdened understand the part that they play in the larger arena where expectations continue to outpace both understanding and resources.

WHAT SHOULD BE FEDERAL, STATE, AND LOCAL RESPONSIBILITIES AND RELATIONSHIPS IN THE PUBLIC EMPLOYMENT SERVICE?

A Paper By

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April 23, 1975

I appreciate the opportunity of representing my fellow State Administrators in Employment Security by submitting some thoughts on the assigned subject of "What Should Be Federal, State and Local Responsibilities and Relationships in the Public Employment Service?"

One of the most frustrating problems confronting administrators today is that we are so busy attempting to implement the multiple mandates that emanate from the federal bureaucracy that we seldom have time to analyze the role we should play and determine how we can properly develop our responsibilities and relationships on the public employment scene.

We are so busy minding the store, putting out fires, and reluctantly rubber-stamping the ever-increasing assignments and responsibilities being passed down to us that it is difficult to plan effectively and to interpret National manpower policy -- if indeed there is any.

Too many papers and studies on "the future role of the Employment Service" have been written in the past 10 years by assorted experts ranging from local IAPES chapter presidents to those in the loftiest halls of academia. It is time now to stop making studies and writing papers. It is time to do something. I trust that this conference will be the exception, that we will accomplish our mission and leave here knowing that we have laid the groundwork for an efficient, effective, revitalized public Employment Service.

"What Should Be Federal, State and Local Responsibilities and Relationships in the Public Employment Service?" My first reaction, since all laws, mandates, administrative interpretations and funding are federal, was to approach this assignment within the framework of a more appropriate title, such as "What Should Be State and Local Responsibilities and Relationships in Influencing the Federal Establishment as to the Proper Role of the Employment Service?"

Certainly all of us recognize one irrefutable fact -- that the State Employment Services contribute significantly to National manpower policy as a delivery system in both the Employment Service and Unemployment Insurance programs. Yet, we are totally excluded from sharing in the initial policy decisions being made in Washington that shape the public programs and services we operate.

Granted, the States are consulted, and a healthier and more cooperative relationship now exists between State Employment Security Administrators and the Manpower Administration than at any time in the past. It is also true that State Employment Security Administrators' testimony is often received and respected by Congressional Committees that initiate legislation and this, in turn, affects policy. But, more often than not we are forced to accept a role of negative acquiescence after the fact.

This is particularly true in the make-up of prestigious advisory councils appointed by the federal government. Two recent examples are the federal Unemployment Insurance Advisory Council and the National Commission for Manpower Policy. Both groups include members from business, labor, community-based organizations, federal and local government (including governors and city and county representatives), with the usual liberal sprinkling of assorted deep thinkers and philosophers from the halls of ivy, manpower advisors by the bus load from the Department of Labor, but no representation from State Employment Security Administrators. How can we be expected to implement plans effectively when we have not been consulted about our needs and capabilities?

Perhaps we are fortunate, however, to have been excluded since the infrequent gatherings of these prestigious groups seem to be mainly exercises in futility, providing a forum for philosophical exchange, but little that is implemented.

A recent Department of Labor publication lists 37 pages of legislative and administrative mandates. With such a spate of constantly-changing priorities it is no wonder the Employment Service has become the whipping boy, the catchall, the neglected stepchild, criticized on all sides for not improving or correcting the social ills and often-changing manpower problems that are constantly with us. A few quotations from divergent sources will emphasize this point. The Department of Labor, in referring to the suit against the Colorado agency over the quality of its service, said, "The agency is caught up in multi-directional pressures and a proliferation of manpower programs." This would certainly apply to all State Employment Security Agencies.

Or, as Congressman Marvin Esch states at the Interstate Conference meeting in Albuquerque to State Administrators, "We (the Congress) have given you more and more responsibility with a decreased capability, with less and less resources, to handle the job." He further points out the major dilemma facing the Employment Service -- Congress' usual reaction to the role of the Employment Service is quite simple - a new program for a new problem.

As one of the recognized experts in manpower, Dr. Garth Mangum, puts it, "Union hiring halls, federal, State and local civil service commissions, company personnel departments, private employment agencies, temporary employment services, professional and trade associations, and schools placing their own graduates, all complete in the arena which the public service had almost to itself in 1933."

In effect, we are expected to do more and more with less and less, at a time when other agencies and organizations are skimming off the cream -- making the easy placements -- and sending us the disadvantaged and unskilled job-seekers. We are not complaining about competition. We merely want adequate resources, both in funds and well-defined policy, to meet the challenge.

If there has been one major shift in policy in recent years certainly it has been the new decentralized manpower thrust as encompassed in the Comprehensive Employment and Training Act. This new act is the first change in direction since the formation of OEO in the early 60's placed the Employment Services primarily in the role of sociologists in an attempt to alleviate, if not cure, the emerging social problems of the time. Regardless of whether CETA legislation was politically motivated or was a sincere attempt to decategorize and decentralize the plethora of manpower programs and provide elected public officials with an opportunity to address their individual manpower problems, it is a fact that the Employment Service -- both in the legislation that emerged in the planning that preceded the legislation -- became the stepchild.

This can be documented by examining the role of the Department of Labor in funding the National Governors' Conference and other groups to serve as the replacement for the Employment Service in many areas. It is too early to assess both the success and impact of CETA, but a few early readings are in.

First, it spawned a nation of instant manpower experts in every State capital and mayor's office. Second, it recategorized decategorization. Third, it provided some political bailouts in major metropolitan areas. Fourth, it put the Bureau of Labor Statistics on the spot in determining unemployment rates that affected funding, and fifth, justifiably or not, it put the Employment Service on the back burner. The best thing about CETA is that it puts planning where it belongs, it lets localities determine how to spend their manpower funds.

I would like to explore CETA as it affects the Employment Service in some detail to illustrate the frustration which those of us who are Administrators face daily. It has been typical of the federal establishment to create a new program whenever a new problem arose or an old problem required attention. For example, since World War II, veterans have been accorded priority service by the State Employment Services. As Vietnam wound down, the volume of veterans needing service increased. When jobs weren't available to absorb them readily, veterans' employment once again became a political issue.

"Doing something for the veterans," certainly a noble, noncontroversial goal, became a priority. When the federal establishment decided to re-emphasize the long-standing veterans' preference, they accompanied this re-emphasis with an appropriation to cover the hiring of veterans' representatives in local Employment Service offices across the country.

In Virginia this meant 14 positions for our 45 local offices. We were pleased to get even this little bit since we are usually expected to absorb new programs with existing staff. These new veterans' representatives were expected to work exclusively with veterans, matching them with job openings. In other words, they were to do exactly the same thing that regular Employment Service interviewers do all day, every day, with every applicant -- except they were to concentrate on one category of applicants. They were given no new resources. They could do no better, or no worse, than any other Employment Service interviewer except that, generally speaking, the applicants being served might be somewhat more job-ready than the applicants that an interviewer working with the disadvantaged might get. That is, few veterans would be illiterate or have other severe handicaps to employments. But many did have obstacles to overcome, especially those with only combat training and experience to offer in the civilian job market. Many, of course, had physical handicaps.

But the mere act of veterans' preference carried with it no new job openings. No new jobs were created, no new resources were provided. The Employment Service was given a major National manpower priority to carry out without any logical expectation that it could do any better, or appreciably better, than it had in the past.

I am not going to go into results on the veterans' program, because that is not my point. I think you could argue from the latest statistics that the public Employment Service did much better than could have been expected in serving veterans in light of the resources given it.

With this example as background, I want to turn to CETA. Here was revolutionary manpower legislation with something for everyone -- except us. Unless you consider a reduction in funding level something. In short, here were new resources in the form of public service jobs. The very thing State Employment Services needed. Surely, these new resources would be given to the State Employment Services to help them in their re-emphasis on veterans and their continued top priority on many other categories of applicants.

This was not the case. I know because I worked personally to try to have the Employment Service written into the Act. What I found was that the Employment Service had no political sex appeal with the Congress. Even the Department of Labor, which knew of our contributions and potential, would not go to bat for us and try to persuade Congress to write us in on the action.

The outcome was not surprising: the State Employment Services are mentioned in a couple of places in the Act, usually in long lists of agencies which should be consulted for planning or operating manpower programs.

Instead of more training slots, the Employment Service got fewer than it had had under MDTA and the Economic Opportunity Act. But, more crucial than that, CETA actually provided fewer funds for administrative positions; that meant fewer positions to recruit people for training slots. Preliminary figures indicate 617.3 fewer man-years funded in 1975 than funded in 1974 under MDTA.

It seems logical that fewer slots to fill requires fewer people to recruit and screen those to fill them. However, this reasoning overlooks the reality of what these positions did for the State Employment Services. While positions may have been funded under specific categorical programs, in most local offices all employees function as generalists. In other words, positions specifically funded under a categorical program were filled by individuals who gave the program top priority, but also did other jobs for which funds were insufficient or non-existent.

The reasoning for this cutback, this ignoring of the Employment Service, is logical if you accept the premise that this system hasn't worked, and won't work, so let's try something new. First of all, I don't accept the premise. I think the system has worked. I'm no Pollyanna. I expect I know some of the weaknesses and shortcomings of the Employment Service system even better than consultants who study our operations for a short period of time or than our critics can recite. My argument runs similar to Winston Churchill's assessment of democracy. If I may paraphrase, the Employment Service is the worst form of manpower program, except for anything else that's been tried.

But, no, the majority wisdom was that since the Employment Service had failed before with no resources, adequate resources shouldn't be given to the same old failures. The ground rules were changed just at the time when we might have shown what we could do with adequate resources, when we might have sparkled.

Had we been given the public service job slots CETA created, we would no longer be dependent entirely on jobs from private employers.

This additional source of job opportunities would give us a chance to make veterans' preference mean something. Being the first to be told there are no jobs is no comfort to a veteran.

But, public service jobs under CETA were handled the same way as training slots, and, with even less justification. Here was one area where the State Employment Service had a recent track record of achievement. I'm speaking of the smaller Public Employment Program under the Emergency Employment Act. Under this legislation the public Employment Services quickly filled thousands of public service jobs and filled them with representative unemployed applicants, including veterans.

But, the same logic -- or lack of it -- applied. Funds for public service jobs went to governors and mayors. I agree that they know what their needs are better than anyone else, but our business is finding people for jobs. If the purpose of the program was public works, I would agree that governors and mayors should get the funds. But if the purpose was to implement National manpower policy, to find jobs for people, to fill jobs with people needing manpower services, then I disagree.

Response to our protests at being pushed aside was, if you are really so good, go out there and sell yourselves to governors and mayors. Convince them to use you to recruit applicants for their public service jobs. Persuade elected officials that rather than hire people to work for them they should run contrary to every political instinct known to man and channel their funds into a contract with an existing agency. We did just that. Not in every State, of course, but in some where the Administrators made the effort, we got CETA public service jobs listed with the Employment Service. Sometimes we also got additional CETA staff positions. And, we started to fill those jobs.

If you think this story has a happy ending, you're wrong. Our agencies are supposedly funded on the basis of their placement performance. Performance is geared to a balanced placement formula. CETA's emphasis was just made for the Balanced Placement Formula under which those applicants who need help the most count more toward the funding formula, assuring these applicants of attentive service.

Then came the catch. Placements made under CETA wouldn't count among our placements and couldn't contribute to our Balanced Placement Formula.

Let me tell you, it is no easier to place a disadvantaged trainee with a public service agency than with a private employer. Both applicant and employer require similar amounts of someone's time to make a suitable placement. Let me also tell you that someone working for a public Employment Service agency has either got to be working for it or not, and can't be off in some never-never land where his individual contributions don't count toward the agency's budget even through he is using every resource the agency has in terms of support service. I agree that no agency should be paid by both CETA and Wagner-Peyser funds for the same placement. But it is the Employment Service, not some new acronym program,that should be making that placement and getting the credit for it. Otherwise we have recategorized decategorization in the worst sort of way. I have no doubt that the real loser in this type of shuffle will be the young man or woman who needs a job or training to get a job and now must go to several different agencies, most new and unfamiliar, for assistance.

CETA raises some interesting questions. Will CETA be required to compare and compete on a placement-per-man basis with the Employment Service? Does anyone here actually believe that the Balanced Placement Formula will really apply to CETA? Do you suppose that the CETA organization will be evaluated administratively as the Employment Service is evaluated? As one of my fellow Administrators has stated, the answers to those and other questions will make interesting reading, but I am not terribly optimistic that it will appear in the next issue of Manpower magazine.

State Employment Security Administrators react to CETA with mixed emotions. Although some seem to be openly pleased that they are not a major part of the new ball game, many others are concerned about the diminution of their services to groups they have been serving well for many years. Then there are others looking at the positive aspects of the legislation who recognize it as a competitive approach and realize that if governors, mayors and other public elected officials are not and cannot be convinced by the Employment Service that we can do the job, then there should be no weeping and wailing by the State Administrators if new programs are designed and implemented by this new manpower arm.

But, back to the Employment Service itself and its potential. An Employment Service that shifts priorities on a year-to-year basis may not be a viable public Employment Service at all. Should it be completely federalized as recommended by organized labor and the avant-garde of the intellectual community,possibly making all employment services unproductive? Should the Employment Service be utilized as a potentially effective means within the economic structure to fight the battle between inflation and employment? If four percent is an acceptable National unemployment rate in normal times, should the Employment Service concentrate on serving just the hard-core unemployed and leave it up to the economy, private employment agencies and employers to take care of the remainder of the labor force? Should the Employment Service serve to bridge the gap between manpower training and vocational education programs and the world of work? Is Wagner-Peyser sacrosanct? Should the Employment Service be completely eliminated as some other manpower groups would prefer and concentrate just on administering the Unemployment Insurance program? Certainly there are no easy answers. Granted that the quality of Employment Service productivity and competency ranges from good to bad to indifferent, I contend that there is a role for the Employment Service, a real, revitalized Employment Service that can serve a more significant role in meeting the manpower problems of today and preparing for those of the future. We have a system in action in 2500 locations across the country, with 35 years experience. We have absorbed the body blows of proliferation and, in spite of contrasting directives, have made over 15 million placements in the past five years. In the current recession we reacted quickly and efficiently in paying millions of dollars to millions of claimants and implemented new emergency unemployment insurance legislation on very short notice. The Employment Service has become a monument of stability, no matter how badly chipped and chiseled in unstable times. With such a system it would be foolhardy to scrap everything and start over. We must start with what we have and adjust, innovate and improve.

Despite our critics the tract record is not that bad. Perhaps there have been some losers in the sprints, or high hurdles, but we've always been first at the finish line in the cross country and distance events.

It seems to me that acceptance of a revitalized Employment Service is a must. If CETA is with us to stay, the major concern as I see it is to effect a happy marriage between the public Employment Service and dubious prime sponsors with the Department of Labor standing sheepishly and uncomfortably in the middle as best man. What steps are necessary to upgrade the Employment Service? How do we convince State Administrators that the tried and true programs of the past no longer relate to such new challenges as environmental impact, energy shortage, drug abuse, ex-offenders, and a restless and mobile society?

I have tried to outline for you my thoughts about federal, State and local responsibilities and relationships in the public Employment Service. Now, I would like to propose a few specific recommendations. Before I enumerate them, however, I reiterate: all the recommendations, all the new legislation, all the experts in the world, will produce nothing unless the Federal-State relationship is re-emphasized in a positive manner. The States must not only be permitted but solicited to provide input in National manpower policy. The Secretary of Labor and the Manpower Administration must recognize that they need to go beyond the usual procedure of sharing information through committees and implementing predetermined programs and policy in which the Employment Security agencies were not allowed to participate.

Local responsibilities are clear-cut and obvious. Mayors, county executives and other "prime sponsors" are the logical ones to determine community needs. They have a network of community-based organizations which can establish and maintain communications at the grassroots level. They are the ones to determine and plan for a community's needs.

At the State level, the first task is to improve and enhance the image and acceptability of the State Employment Security agencies. The Interstate Conference, with the full support of the Manpower Administration, must improve its visibility and acceptance with governors, mayors, business, labor and all participating segments of the manpower community.

Secondly, State Employment Security agencies should be able to testify before the various committees without the limits now placed upon them. As Congressman Esch has stated, it is high time we had more direct and effective impact on decision-making in Congress. Agencies should be allowed to adopt an adversary position in such testimony without fear of recrimination.

Third, the decentralization of both funding and manpower programs mandated under Title III and other Acts should be passed along to State agencies to determine their own priorities in the manpower field in a flexible manner that would give the plan of service some meaning.

Fourth, there should be a revision of Wagner-Peyser, providing State Employment Secuirty agencies participation in such a restructure. And, fifth, we at the State level must work cooperatively with community-based organizations.

Federal responsibilities are, or should be, of a more general nature. If the rest of us are to do our jobs effectively, the Department of Labor and the Office of Management and Budget must recognize that adequate funds must be made available.

We all recognize the necessity of broad guidelines to control appropriations and prevent the misuse of funds. We know there must be monitoring, upgrading of non-productive States, supervision in interstate claims and job banks, evaluations and research, etc., but this, within these broad perimeters, should be the primary federal role.

I believe it is also a federal responsibility to grant financial incentives to the more productive States and cost models. Balanced placement formulas are not the entire answer. However, if such criteria are established in consultation with the States, they should be strictly adhered to.

What we need most from our federal partner, however, is leadership by example. We need the Manpower Administration and the Department of Labor to stand up for us, to tell others that we are the employment and training experts. We in the States are strongly behind the CETA concept. We have long felt that localities should determine their own needs and how best to meet them. However, we feel that when manpower revenue is returned to localities the federal government should stipulate certain things. For instance, that the funds not be used to duplicate services already available. The Employment Service has experience and expertise -- in the fields of placement and employer relations. Duplication of placement efforts wastes needed manpower dollars. Job developers from a dozen different agencies calling on each employer borders on harrassment and creates more ill will than it develops job openings. One employer told me that 14 different agencies were seeking job orders from him -- for "special interest" groups -- older workers, the handicapped, ex-offenders, women, the disadvantaged, minorities, veterans, etc. We have the contacts, the capability and the experience. We are, by all logical criteria, the ones to do the placement and employer relations job. Prime sponsors and community-action groups are properly the ones to take the lead in determining the community's needs. They can more readily identify and communicate with those who have employment and/or training needs. The Manpower Administration should insist that prime sponsors not duplicate the services we provide.

It is unfortunate that CETA's first year of operation should coincide with our current economic situation. Because of this I believe many of those prime sponsors who have used the placement services of their State Employment Services may be disillusioned. The placement ratios they expected, and indeed contracted for, have not been met. I am sure, however, that no one could have done a better job than the Employment Services. If the jobs are out there, we can match them up with the right people.

We welcome CETA. We wholeheartedly support its philosophy. For too long we have been administering programs that frequently were at cross-purposes to a community's needs. We are not trying to hold onto an empire or threaten someone else's. What we want is this: when jobs and training for jobs are what a community needs, we want the assignment. This is what we do, and we're the best at doing it.

I am confident that the current system will work well with certain refinements and improvements. The Employment Service should be the catalyst for all manpower programs. We should occupy the high post position on the court and feed off to other groups for fast breaks as long as we score. The Federal-State partnership as emphasized in manpower is the best example today of such a cooperative endeavor. Certainly the Employment Service recognizes and accepts the political realities that exist under CETA, but the Employment Service is not, and should not be, afraid of healthy competition as long as accountability for all is equally established.

WHAT SHOULD BE FEDERAL, STATE AND LOCAL RESPONSIBILITIES AND RELATIONSHIPS IN THE PUBLIC EMPLOYMENT SERVICE?

An Address By

Mayor Thomas C. Maloney
Wilmington, Delaware

April 23, 1975

The field of manpower and public employment services is a unique example of a federal, State and local partnership in the delivery of a significant human service. Each level has extensive planning and operating responsibility within the field and while this fact might evoke a fear of "duplication" of services, the results are not necessarily that clear-cut.

What is the Existing Situation

The respective responsibilities of the federal, State and local governments in the public Employment Service are set forth in two major pieces of federal legislation: the Wagner-Peyser Act and the Comprehensive Employment and Training Act (CETA). In the case of State-administered employment services, the role of the federal government has been to provide the financing, overall policy guidance and direction, and general oversight of Employment Service functions administered through State governments. The State's role has been that of implementor, actually carrying out the Employment Service function. The local government role, however, has been limited and unclear. With the passage of CETA, the role of local governments in manpower services has been greatly enlarged but the specific role in relation to Employment Service has remained relatively undefined.

Thus, the question before us is particularly significant with regard to local government. Because of the flexibility of CETA, local governments have before them a unique opportunity to define what roles and responsibilities they will assume in Employment Service functions.

While local governments have greater flexibility under CETA than do State governments in their Employment Service function, both units are experiencing similar difficulties in their respective relationship with the federal government and the U.S. Congress:

1. Policy/Administration Dichotomy - The idea that policy can be set at the federal level and administered at the local level uniformly

and be fair to all is a delusion. In its quest for uniformity and consistency in performance, the federal government formulates and imposes rules and regulations nationwide that can never be equitable because of the diverse nature of State and local units of government. For example, a placement rate of 22 percent for the Employment Service in Wilmington, Delaware may be highly inflated for the employment conditions in that area while in another State that rate may be too low for conditions there. Policy which emanates from the federal government that State and local units must operate under is at times unrealistic in terms of what can be reasonably achieved. At times, these actions become self-defeating. Policies promulgated at the national level, that are not well thought through in terms of their local impact, often work against the overall objectives of the program. Policy and administration cannot be separated--the national policymakers must listen carefully to the local administrators prior to imposing rules and regulations.

2. Funding - It is ironic that in a time of increasing unemployment and recession, the federal government would decrease the funding of Employment Service and Manpower programs. Our State unemployment service in Delaware has explained to us that due to a performance formula applied to local Employment Service offices, a lack of meeting placement goals will lead to a cut in funding. In a time of economic recession, surely placements will not be higher because there simply are fewer jobs. Yet, the Employment Service will be penalized in funding when it needs to do its work more than ever. Under CETA, City Prime Sponsors, hardest hit by recession and unemployment, receive a 10% cut in CETA Manpower dollars each year of the act while wealthy suburban counties are increased. This funding methodology is indicative of an unrealistic approach to urban problems by the U.S. Congress.

I am not questioning the need for greater productivity in government or the desirability of performance funding. However, what I am objecting to is an inflexible system that will not account for local changing economic conditions, or recognize the plight of cities, hardest hit in a time of recession.

3. Flexibility - In our State and local relationship with the

federal government is a common cry of inflexibility. Local conditions vary in need and the system must remain flexible enough to adapt to local conditions. Under CETA, for example, we have been severely hampered in our ability to provide meaningful public employment due to restrictions on purchases of equipment and supplies. These areas of common concern--policy, funding, and flexibility--are areas of concern that can be resolved between the federal government and State and local government through greater cooperation and communication between these levels. In addition, a lobbying partnership between States and local governments is essential to insure responsiveness at the federal level.

Changing Roles and Relationships

Prior to CETA, local governments had a very limited role in the delivery of employment and manpower services. Under the CAMPS process came a period when local governments assumed a planning function in the delivery of manpower services, many of which were under the purview of the Employment Service. Services of the Employment Service were tapped by local manpower planners for data analysis in the planning functions. With the passage of the Public Employment Program (PEP), local units were required to list jobs with the Employment Service and working relationships evolved here.

CETA has not only put local governments in the forefront of providing manpower services, it has, in addition, given local governments the option of performing services previously and currently provided by the Employment Service themselves, or choosing other competitive deliverers. CETA is flexible enough to permit the local Prime Sponsor and Employment Service to work out a service delivery system that is best suited to the agencies' and community's needs. This can involve some frank discussion between CETA planners who have specific program goals and functions to accomplish, and the Employment Service, which is spread over a wide range of social and employment services, including heavy reporting and research activities, not central to the Prime Sponsor's responsibilities. In some communities, Employment Services are providing the bulk of CETA services for local prime sponsors. In other areas, Prime Sponsors are developing systems which parallel some functions or utilize their services in a limited fashion, if at all. While the federal government has looked upon Prime Sponsors who choose not to utilize the Employment

Service with dismay, and discuss future intervention in planning, I believe that continuing this flexibility for Prime Sponsors to use or not to use Employment Services is critical to the question of decentralized planning, where the Prime Sponsor must assume the accountability for the viability of services to the local community.

The fact is that with CETA, the Employment Service and local Prime Sponsors cannot ignore each other and effectively serve their communities. While some Prime Sponsors might "wish the Employment Service away" with the attitude that "we can do it better," in Wilmington we recognize that the Employment Service is here to stay and that it has a federally mandated role to play in our community. What we have sought to do in our CETA program is to supplement existing service levels in the community. For example, the city has set up a specialized counseling, Public Service Employment, placement, and comprehensive service/referral unit that is specifically geared to CETA grant activities. It cooperates with the Employment Service on job posting, veterans listing, and its federal contracts/employer relations work, and arranges some training for WIN-Employment Service participants.

Federal, State and local responsibilities and relationships are changing in the employment and manpower field particularly since passage of CETA. They will continue to evolve, particularly at the local level, until we achieve satisfactory roles and responsibilities. For local governments especially, this process is just beginning. With only one year of operation under CETA, there is much to be done in defining organizational goals and relationships by both parties. We see, however, that in order for the process to be facilitated, the federal government as policymaker, must recognize this process as one of local dynamics, and preserve the inherent concept of decentralized decision-making as it advises and regulates program operations.

WHAT SHOULD BE FEDERAL, STATE, AND LOCAL RESPONSIBILITIES AND RELATIONSHIPS IN A PUBLIC EMPLOYMENT SERVICE

A Paper By

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April 23, 1975

Future responsibilities and relationships at the federal, State and local levels in a public Employment Service obviously will be determined by many factors. Some of these factors will be explored by this panel; others by the panel on "The Role and Objectives of the Employment Service in Meeting Society's Needs;" still others by the panel on "How Should the Employment Service be Financed?" Yet, all of us know that these three areas are so intertwined that one can hardly be discussed without the other. As a futher bow to the bright future of complexity, these three issues acting together, like Jay Forrester's complex social system, may produce a result that is "counterintuitive" -- that is, different from what we might conclude the result would logically be from a single issue acting alone. And this is not to mention the intervention of events now unforeseen, such as a new technology, another world war, or a social redefinition of the work ethic.

That is to say that a conference such as this, on "The Role of the Public Employment Service: 1975-1985," will have an inevitable tendency to back into the future while facing the past. The systems trends of the past to which we would key our compass may be faulty indeed. But it may be the best tool that we have for our purposes today.

It will be left to others on the panel to explore the lessons for the future learned from a study of the Federal-State Employment Service itself. In this paper, I would like to take a small slice of this marbled layer cake of Employment Service responsibilities and relationships, and view it from a perspective that is locally oriented and slightly monority biased.

This slice of the marbled layer cake -- if there is such a thing -- shows three factors, among several criss-crossing issues which affect future relationships and responsibilities at the federal, State and local levels. These factors, which could also be read as systems trends in Daniel Bell's sense of the term, may be stated as follows:

1. increasing recognition and use of manpower policy and manpower services as countercyclical economic tools.
2. growing concern for and gradual acceptance of the need for an adequate and coordinated income support system that will be federally financed and administered.
3. continued efforts over at least the next decade to decentralize to governments the administration of federal social programs, particularly those related to manpower and human services.

As indicated earlier, these trends could be reversed, or perhaps they exist even now only in the imagination and hopes of some of us here. But let's assume that they are real, and will persist at least through the next decade -- the time span of this conference's concerns -- before the pendulum starts to swing back in the other direction. Let's take a look at what, in my judgment, the relationships and responsibilities might be, should these useful trends continue.

Much of our recent legislation and much of our political policy leadership now seem solidly behind using a combination of manpower training, public service jobs, and specialized jobmatching and placement techniques to counter the effects of recession. There is also a strong feeling on the part of many that these same techniques may be of equal, if not greater effectiveness in ameliorating some of the inflationary pressures in relatively "full" employment market. Those utopian goals of the Employment Act of 1946, which envisioned a job for all those willing, able and seeking to work, maximum purchasing power, and increased productivity in the economy, many hold, can be made more real through the effective implementation of sound manpower policy. And it is government's responsibility to see that this is done.

The only national manpower service the government has is the Federal-State Employment Service; therefore, it must be enlisted more fully in this effort. It follows then that a public Employment Service that becomes "a chosen instrument" to achieve broad national purpose must be given broad national support and direction. The primacy of State, local or private purposes must give way to this larger imperative.

In my view, these latter concerns argue strongly for federal control as well as federal public funding of the public Employment Service. Trust funds built from the resources of private employers trying to meet a private need is inadequate policy, given the complexity of counter-cyclical economic processes. As more national planning becomes necessary to meet national economic goals, federalization as well as federal funding of the public Employment Service may become necessary. However, federalization or federal direction of the Employment Service may not be necessary if cooperative goal setting, time tables and priorities can emerge from more effective operation of our intergovernmental system. This will require a more careful sorting out of responsibilities best carried out at the federal level from those best carried out at the State and/or local level. That sorting out seems to have begun under the so-called New Federalism, but its direction and impetus now appear uncertain.

In devising criteria for this sorting out process among federal, State and local responsibilities and relationships, one useful idea, once widely discussed but now heard only in whispers, was that income security matters were federal responsibilities, while human service matters were State and local responsibilities. This construct, which I predict will be resurrected, should open new vistas for relationships between both different levels of governments and para- or sub-governments.

One factor which many agree has limited the effectiveness of the public Employment Service is its tie to the Unemployment Insurance system. It is my view that this tie should be broken. But merely taking Employment Service funding out of the employer trust funds without realigning intergovernmental relationships and responsibilities will be only a partial answer. Unemployment Compensation, along with other social insurances such as social security, medicare, pensions, etc. must be addressed along with income transfers such as public assistance, supplemental security income, food stamps, etc., as fully federal responsibilities.

Making them federal responsibilities does not necessarily mean paying for them exclusively out of public funds. But it must start with federal regulation that provides for national or regional uniformity, a floor under income security, and equity for those disadvantaged under the present system. The latter includes the intact family, single persons without dependents, the working poor, those not in sheltered labor forces, and Blacks whose shortened life span subsidizes longer social insurance payments for Whites. And there are others. But such inequities can only be remedied at the national level as part of a commitment to achieve certain other broad national policy objectives. Reform and equity in the national transfer payments system is a prerequisite for a more effective use of the national manpower service.

With the income support system, including Unemployment Compensation, clearly a federal responsibility (for at least uniform regulation if not direct administration), the public Employment Service would be free to develop more viable relationships with other human service systems. Particularly important in this regard would be more effective relationships with vocational education, vocational rehabilitation, social services, and health systems. It has been this writer's experience and observation that whenever an income maintenance system is tied in with a human service system, it is the human service system that suffers. On the other hand, limited experience seems to indicate that an integration of human service systems enables a far more holistic approach to human needs and the enhancement of the quality of life.

The next ten years should see considerably more experimentation with consolidated departments of manpower and human service systems, including the Employment Service, whose chief goal and objective would be improvement of human capacity and productivity. The case method and measurement system used in the better vocational rehabilitation programs, along with the training methods in the better vocational education systems combined with health maintenance systems and the specialized Employment Service placement system might well synergize a level of human fulfillment and economic productive capacity the likes of which this Nation has never known. But if State and local systems must continue to be constrained by the requirements of work tests and income support eligibility determination, then the possibilities of a truly human oriented manpower service may never be known.

Finally, let me turn for a moment to some possible consequences of the continued decentralization of government back to the people. We have grown accustomed to thinking of federal, State and local levels of government as descending levels of responsibility and responsiveness. After "Dillon's Rule," we have to come to think of cities as only creatures of the States, and of sovereign States as having delegated "supremacy" to the federal government. We forget that most powers and authorities were not delegated but retained by the States; and that though they are not mentioned in our Constitution, cities were here before States and retain a more intense citizen loyalty and expectation. Federal tax policy, probably more than any other single measure, has eroded the capacity of cities to serve their true role as social converters.

If one may be permitted to stipulate, rather than argue, that the urban communities, where 70 percent of Americans live, must be made the number one priority for the next ten years, then some important questions about the role and responsibilities of the public Employment Service must be asked. A most important one is: what is the responsibility and accountability of a federally financed public Employment Service to the urban political policy leadership? Can a public Employment Service be an agent for achieving broad national economic and social goals and at the same time remain accountable and responsive to local policy needs? The answer here is yes. But the mechanism for doing so must require far greater experimentation and commitment to decentralization. The national and local roles and responsibilities are not necessarily mutually exclusive.

Much of the answer to these latter urgent questions may well be the result of some of the "muddling through" now going on by some 400 prime sponsors under the Comprehensive Employment and Training Act. The Employment Service has lost much of its former "sheltered" position which it held as a "presumptive" deliverer of manpower services. The Employment Service will be subjected to some of the same market forces which have determined whether other economic instruments have lived or died. It may well be that the public Employment Service will not survive this test, but will lose out to private employment firms in servicing CETA prime sponsors, just as it has lost out to private firms in servicing private (and sometime public) industry.

On the other hand, if the policy direction is firm and the incentives strategically used, the Employment Service may emerge stronger than ever before. Among the qualities which must be developed is the confidence of the local communities to be served, and this must be accomplished by bringing the local political leadership into the decision making process with respect to area manpower plans. Area manpower plans and other area human service plans should be subject to debate and approval by the local mayor and council, county executive or by whatever officials the local tradition would dictate. Some legislative "fine tuning" of our intergovernmental system may be a prerequisite for this. Another requirement must be the employment of more local persons, particularly indigenous minorities, in the delivery mechanisms of the public Employment Service. The same kinds of affirmative action mandates should be put into contracts for the public Employment Service as are required in contracts with private firms; but they should be federally enforced by individual sanctions rather than by omnibus fund losses.

While there must be obvious concentration on the needs of those most neglected by the normal workings of the economic and social system, local governments should reject the notion that the public Employment Service is only for the poor. It has been learned time and again in similar human service systems that a service that is only for poor folks almost inevitably turns out to be a poor service, often the result of self-fulfilling prophecies.

This "crystal ball" look at what federal, State and local responsibilities and relationships in a public Employment Service should be has tended to emphasize policy over program and process over management. Let me hasten to add that sound program design and effective management are not to be overlooked. But as a former President once said, good managers are often frustrated by bad mechanisms. The current Federal-State Employment Service, caught up as it is in a mangled intergovernmental system, with conflicting goals of income maintenance and human development and malfunctioning philosophy of economics is a bad mechanism. This paper is a plea for rationalizing each so that the public Employment Service can be unchained.

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WHAT SHOULD BE FEDERAL, STATE, AND LOCAL RESPONSIBILITIES AND RELATIONSHIPS IN THE PUBLIC EMPLOYMENT SERVICE?

An Address By

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Education and Labor Committee
U.S. House of Representatives

April 23, 1975

Being last on the agenda is usually a difficult problem, it is like being last in a family, which I was. I thought I might take a homely perspective on what's been discussed, and I would hope that any of you who know my former boss, and now is my mentor on the committee, wouldn't go back and repeat any of the things I am going to say.

I am your typical instant expert - the whole Wagner-Peyser operation is 30 years older than I am, and I don't claim to have an immense amount of knowledge of how the system works. I think unfortunately, however, that reflects there is a very serious problem because I am not so sure so many people on the Hill do. I would say with the one exception, my boss. I think that is a very important consideration to think of.

In any event, what I am saying here is that CETA is what we have on the books now, but CETA is what we may not have on the books in the very near future unless we can get a grasp of what our nation's economic problems are. The talk is now going around - I was in a session yesterday morning of the Manpower Commission where the whole discussion of public service jobs was undertaken, and I came away from there thinking - well, we really don't understand our problem. We don't know what it is we are trying to solve, we really don't know what we are doing, and furthermore, our economic planning is so confused - we don't know where Manpower policy really fits into the overall structure of the economic planning. The debate going on among economists now is whether the Phillips curve actually dips up or dips down, dips sideways, or goes this way or that way, and no one really knows how Manpower policy as a counter-cyclical tool applies.

There is one thing that is clear, and that is the way most of the people are thinking on the Hill - that CETA as such is not designed to be and cannot effectively by a counter-cyclical tool. Title VI is probably the cloeset thing in CETA that is a counter-cyclical tool but what I hear in the grapevine - and I'll not pick any names out of the hat - but what I hear is that since CETA is not doing our counter-cyclical job, let's try something else. Furthermore, CETA is not reaching the minorities, the disadvantaged, and we are having a lot of problems in implementation, and we are having a few tough political problems - as well - so what they are saying is: "well, maybe we should go back to a national categorical" - of course, we kind of quarrel with that, but the fact of the matter is that it is being discussed, and my concern is where does the Employment Service fit into the public discussions that go on on the Hill? You know, it is striking to me that I am the one Congressional representative out here; I don't have the Majority side to point the finger at. I feel very alone. I wish they were here so that I could accuse them of making all the mistakes. Suffice to say I don't intend to represent what everybody's thinking up there is, but I do feel the whole role of the Employment Service has not been adequately addressed on the Hill. Now these discussions and those points as Mr. Esch indicates - and he has eight of them - cover the whole broad range of questions that have been asked here - have only been asked by Mr. Esch. I don't know of anyone else who has asked these questions on the Hill.

I think there is one area to which they should be addressed - it's in the policy making area on the Hill. I don't have any recommendations as to how that is done. All I can say is that personally there should be more involvement, intercommunication between those of us on the Hill who play the role of information broker and information expert, and what is being considered in the field and at sessions such as these.

There is one bill now - the Hawkins Bill - which is the Full Employment Act HR 50. He has been holding substantial hearings around the country in an effort, I would say, to generate support for his legislation. The Bill would provide a guaranteed job for every American willing to work and it would create a full employment office - which would be, of course, an offshoot of the Employment Service.

I am somewhat concerned about the lack of understanding that this Bill seems to reflect of the difficulties that the Employment Service currently has in handling its immense responsibilities which, as Secretary Kolberg pointed out this morning, have been dropped on it out of a clear blue sky with no Congressional mandate per se, but where historical conditions and circumstances have modified the original Act to the extent now that people out in the field have so much to do that they barely can complete the paper work before they can get to the person they are trying to help.

This Act would extend that even further, and there is no mechanism provided in that particular Act for improving, extending, upgrading or amending the Wagner-Peyster Act to any sufficient degree. As a result, it seems to me what has happened is that the Employment Service as such does not enjoy an immense amount of credibility on the Hill for one reason only and that is that people don't really know what it does. It's not the fault of the actions of the Employment Service - I think it's a failing of people on the Hill to understand what's really going on out there.

Now there are some allusions previously to the failure of the Employment Service to adequately lobby on the CETA legislation. I would agree to that. I would say that it's very true that the Employment Service is in a very touch position to lobby because of its role as a federal agency - as a Federal-State agency - because it doesn't have that kind of political base from which to work; but if the Employment Service is to become the meaningful aspect in Congressional policy making - you've got to devise some way of letting the Congress know what the difficulties are. I would guess that outside of Mr. Esch, there may be only one or two other members on the Hill who have any concept of the problems that the Employment Service goes through, and what needs to be done to improve things. I think that's a tragedy. The Employment Service has this problem and it continues.

The fact of the matter that the Wagner-Peyser Act hasn't been amended in over forty years is extraordinarily startling to me. It's starting to me that a law as important as Wagner-Peyser is not even for that matter on the agenda of legislative priorities for consideration in the House

Labor and Education Committee. I serve as an instant expert but I am supposed to cover manpower now. There is no mention in the Committee jurisdiction brochure as to whether this means Wagner-Peyser. It really doesn't include Wagner-Peyser. I don't think that Congress has to date focused on the Employment Service as a very critical agency of Federal-State policy in the Manpower area. I just want to leave that one message because I think if there is anything that is more important in the development of what is coming out of here, it is to translate that.

Now, it's fine for everyone here to communicate with one another. It's fine for everyone here to communicate with the Manpower Administration - but there's a very real necessity to communicate with Congress. There are a very small number of us, frighteningly small number of us, on the Hill, who are actively involved in this kind of policy today. It is sometimes frightening to me how few of us there are - I am awestruck at the amount of expertise that is out in the field that we rarely can tap. We are so overindulged with information that we can't put together, or really know where the policy fits in - that when it comes to the very serious problem such as our economy and the way we deal with a true Manpower policy, it sometimes makes me feel we come very short and part of this problem is that we don't know what's happening out there. This is not the fault of the Employment Service - it is the fault of the way Congress actively engages in determining policy.

The Hawkins Bill is just a case in point. It would require the President to coordinate all of his economic planning into one kind of economic report - and, as a result, the bill touches on every jurisdiction in the Congress, and I have very serious doubts as to whether a bill of that nature would get very far.

In fact, I have very serious doubts whether it will get through the other subcommittee, simply because of the way Congress has set itself up. But, notwithstanding that, it seems important to me that if there is one message I can leave here, it is that if all of these questions that have been addressed today for example: to what degree does the current Employment Service provide the linkage and distribution of unemployment insurance funds, etc. etc.; is the public Employment Service providing effective counseling and job placement? This is Greek to most of the people on the Hill. It's not Greek to you - it's still a little bit of Latin to me. But, nevertheless, it represents a very serious problem of how you turn these policy questions into something that we can deal with, in an effective way, because in the next ten years, whether you like it or not, nothing will happen unless these communications are made.

In closing, I have never been capable of giving a twenty page speech, because I usually fall asleep in the middle of it myself, but I think it is important that if you are to move in a substantive way that the communications be initiated, not only with me, but with the staff on the Senate side - and with members on both sides in a very strong and real fashion, early in the game because if we go back to a national-oriented policy, it can take any number of different forms, and the Committee is not going to look into different ways of looking at Manpower policy as a counter-cyclical tool.

We are now starting a new bridge, we are holding back, we are saying that CETA as such is fine but it is a different animal than what we are looking for, and if the Employment Service is to provide a meaningful role in that strategy, then it's going to be up to you to make sure that the recommendations or thoughts for policies that come out of this session, are communicated to those of us on the Hill who deal with this area. Thank you.

HOW SHOULD THE EMPLOYMENT SERVICE BE FINANCED?

A Paper By

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April 24, 1975

Introduction

Since the present Federal-State Employment Service system came into being more than four decades ago, the ways in which its administrative costs have been financed have been changed a number of times. In some instances, the mode of financing has reflected the program emphasis of the times; in others, the funding has been a matter of expediency and unrelated to program objectives. As we look ahead to the role of the public Employment Service in meeting society's needs during the coming decade, we also should consider the financing approach which will enable the program to achieve its desired objectives.

The History of Employment Service Financing

The public Employment Service of today began in 1933 with the passage of the Wagner-Peyser Act.[1] In that provision for a Federal-State system of free public employment offices throughout the country, the funding approach was a federal grant-in-aid plan. Federal general revenues were designated to support the federal partner, the United States Employment Service, and also to pay matching federal grants to States that established Employment Services which affiliated with the national system. The sharing of State Employment Service costs on a fifty-fifty basis was intended to encourage States to participate in the program by setting up State systems.

Financing the Program in its Early Days.

In actuality, however, the Federal-State sharing of the administrative costs turned out to be only a minor part of the funding of the public Employment Service. Almost immediately after the enactment of the Wagner-Peyser Act, the need developed to interview and refer unemployed persons to the extensive public works and relief programs which were being instituted to alleviate the want caused by the Great Depression. While the public Employment Service was viewed as a permanent, on-going institution, the press to move unemployed persons onto work programs was too great to await the enactment of State enabling legislation, accompanying appropriations measures, and the actual establishment of State services. Therefore, a temporary agency, the National Reemployment Service (NRS), was set up within the United States Employment Service to supplement State employment offices and to serve in their stead until they could become operative. The NRS activities were financed out of monies appropriated for the employment emergency projects.[2]

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[1] Act of June 6, 1933, 48 Stat. 113.

As an indication of the early apportionment of administrative costs between the Employment Service and NRS, at the end of 1933 about 95 percent of the employment offices and 96 percent of the staff were under NRS auspices. State Employment Service offices gradually were established in the next few years, but the incentive was lacking for a wholesale changeover. Even by June of 1937, more than 69 percent of the offices and nearly 76 percent of the personnel were under NRS.[3] As long as the federal government was willing to pay the entire cost of operation of NRS, State legislatures were reluctant to begin supplying half the monies needed to set up employment services.

Unemployment Insurance Taxes Enter the Funding Picture. The real impetus to States' establishing their own employment services, however, came subsequent to the passage of the Social Security Act of 1935. The creation of a Federal-State unemployment insurance system, included in that legislation, carried with it the requirement that the jobless benefits be paid through public employment offices or such other agencies which the Social Security Board might designate. The summary of a staff report prepared for the President's Committee on Economic Security explained the reason for this requirement.[4]

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[2] Financing Employment Security Programs, a typewritten draft prepared by the United States Employment Service, U.S. Department of Labor, dated December 6, 1948, p. 4.

[3] Leonard P. Adams, The Public Employment Service in Transition, 1933-1968 (Ithaca: New York State School of Industrial and Labor Relations, Cornell University, 1969), p. 25.

> Unemployment compensation laws everywhere provide as a condition to qualification for benefits that the employee register with the employment exchange and accept suitable employment if available. He is entitled to benefits only in case it is impossible to find other employment. This is the only effective provision which makes it possible to ascertain willingness to work. It is almost inconceivable that any State would ever attempt to administer unemployment compensation except through public employment offices. There must, accordingly, be the closest possible connection between the employment office and the administration of unemployment compensation.

Thus, the link was formed between the Employment Service and unemployment insurance. Moreover, the "work-test" requirement set the stage fc a long-range method of financing the Employment Service administration.

States hastened to enact enabling unemployment insurance legislation in order to take advantage of the tax offset advantage allowed in the Social Security Act. If a State had an approved program its employers' payroll taxes levied under the federal law would be reduced from 3.0 percent to 0.3 percent. The remaining 2.7 percent of employer taxes would be used to fund a State unemployment benefit program. Coincidentally, the States either expanded or initiated their Employment Services to satisfy the federal requirement before benefit payments began in 1938.

When the Social Security Act was being drafted, the framers were apprehensive that the States might hesitate to legislate unemployment insurance programs because of the cost of administering them. To remove this barrier, a provision was placed in the law to authorize grants to the States to meet the administrative costs of expanding their facilities for unemployment insurance purposes. The federal government determined that it was legally proper to use the receipts of the 0.3 percent effective federal tax on employer's payrolls to make these grants.[5] Then, because the Act required that State Employment Services register unemployment insurance claimants for employment and administer the work test where possible, the Act also was interpreted to include funds in the State grants for Employment Service activities that were associated with administration of the unemployment insurance program. As a consequence, from 1938 when benefits became payable in about half the States through 1941, about 85 percent to 90 percent of Employment Service administrative costs were financed out of the federal unemployment tax.[6] The remaining administrative expenses of the Employment Service were met from NRS funds and from matching federal and State appropriations as called for in the Wagner-Peyser Act.

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[4] Social Security in America (Washington: Social Security Board, 1937), p. 131.

Employment Service Financing in the War Years. When the United States entered World War II, a break occurred in this approach to financing the administrative costs of the Employment Service. At the President's request, the States turned over their Employment Services to the federal government on January 2, 1942, so that a nationwide organization could be created to recruit and allocate manpower for war production and services. From then until November 16, 1946, when the administration of the Employment Service was returned to the States, operating costs were financed entirely by appropriations from federal general revenue.[7]

Post-War Developments in Employment Service Financing. When the administration of the Employment Service was returned to the States in 1946, the financing of the costs of operating the program was retained by the federal government. This time, however, the administrative expenses were met not from general revenues but entirely from funds accumulated from federal unemployment tax receipts. The requirement under the Wagner-Peyser Act that States supply matching grants was waived. An amendment to the Wagner-Peyser Act in 1949 eliminated the matching provision and made Employment Service funding a part of the federal Employment Security system. The provision for the use of federal general revenue was retained.

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[5] Financing Employment Security Programs, op. cit., p. 23.

[6] Ibid.

[7] Ibid.

A combination of reasons led to this financing approach. An economy-minded Congress made the prospect of obtaining adequate general revenue appropriations unlikely. Too, the excess of federal unemployment tax collections over obligations provided a backlog of administrative funds which could be drawn upon. During the ten fiscal years of 1938-1947, expenditures amounted to only 63 cents out of every dollar collected. In part, the accumulation of administrative funds resulted from unprecedented high collections as payrolls rose during the war years and the immediate post-war period. Meanwhile, unemployment insurance claims loads were exceedingly low during most of that decade so administrative expenses did not rise at the same rate as tax collections. Besides, the Employment Service made no claim on the administrative funds from January of 1942 through November of 1946 and the Veterans Administration absorbed most of the administrative expenses resulting from the processing of benefit claims filed by veterans. Also, the farm placement activities were financed by the Department of Agriculture and the State Extension Services during the 1943-1947 period.[8] For all these reasons, administrative costs in that period were extraordinarily low.

Beyond the existence of a substantial administrative reserve, other considerations also entered into the decision to use federal unemployment tax monies to pay the costs of administering the Employment Service following World War II. Employment Service activities had expanded greatly during the war years, with functions being taken on that were far beyond those of a simple labor exchange. Federal administrators were fearful that Employment Services would deteriorate if their continuance was partly dependent on the willingness of State legislatures to share administrative costs. Moreover, federal administrators viewed the era of the federal Employment Service as a time when the program was upgraded. If the federal government retained budgetary control through use of the federal unemployment taxes even though the program administration became a State responsibility, it was believed that uniform standards of operation and improvement could be imposed and national policies could be carried down into the State programs.

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[8] An Analysis of Estimated Tax Collections Under the Federal Unemployment Tax Act and Obligations for State Unemployment Insurance and Employment Service Administration, by State, Fiscal Years 1938-1947 (Washington: U.S. Department of Labor, United States Employment Service, April 26, 1948), pp. 1-3.

Because of the budgetary process, however, the U.S. Department of Labor experienced difficulty in obtaining adequate appropriations to support the Federal-State Employment Service during the late 1940's and the 1950's. Even though Congress and the Bureau of the Budget recognized that federal unemployment taxes were the source of the funding, the Employment Service budget was considered to be a part of the general federal budget. Thus, federal fiscal policy dictated the amount of the appropriations. Not until 1960 were the federal and State Employment Security agencies completely successful in having the source of funds earmarked. Legislation enacted then provided for the automatic appropriation of federal unemployment tax receipts to the Federal Unemployment Trust Fund; the legislation also called for the payment of administrative expenditures from that fund. Budget requests continued to be reviewed by the Bureau of the Budget and Congress but the appropriations were removed from the federal budget and, thus, from budget balancing issues and other fiscal considerations.[9]

A change in the federal budget concept which was made in 1968, however, put the Employment Security appropriations back under the total federal budget in spite of the earmarking. Once again, the appropriations have become incorporated in total federal expenditures to be measured against all sources of revenue.

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[9] William Haber and Merril G. Murray, Unemployment Insurance in the American Economy (Homewood, Illinois: Richard D. Irwin, Inc., 1966), pp. 397-406.

Special Funding for Special Programs. Beginning in 1944 and continuing to the present time, many new programs have been assigned to the Employment Security system. Some of these added responsibilities were placed under that program because the activities paralleled the unemployment insurance functions and related employment services. Others were assigned because of the federal objective of expanding the Employment Service into the nation's manpower agency. Even though general revenues have been designated as the source of funding for the special programs, in practice substantial amounts of the administrative cost have been financed from federal unemployment tax receipts.

The first of the special activities thrust upon the Employment Security program was the Servicemen's Readjustment Act of 1944 (SRA). The State Employment Security agencies acted as agents of the Veteran's Administration in paying readjustment allowances and in counseling, testing, and placing veterans and referring them to apprenticeship and on-the-job training programs. The cost of the Employment Services largely was met from Employment Security funds.

Subsequently, two federal unemployment insurance programs were assigned to the Employment Security agencies. General revenues supplied the funds for benefits paid under the Unemployment Compensation for Federal Employees program (UCFE), effective in 1955, and for the Ex-Servicemen's Unemployment Compensation program (UCX), enacted in 1958. Related employment services, however, were principally paid out of the Employment Security appropriations.

Beginning early in the 1960's came federal attempts to deal with the employment problems arising out of depressed areas, industry and technological dislocations, poverty, discrimination, job seekers' lack of education and training, as well as wage-loss compensation arising out of disasters. The first such program was the Area Redevelopment Act of 1961, followed closely by the Manpower Development and Training Act and the Trade Readjustment Act of 1962. Another was the Economic Opportunity Act of 1964 which sponsored such programs as the Job Corps, Concentrated Employment Program, and the Neighborhood Youth Corps. The Work Incentive Program (WIN), enacted in 1967, set out to move the "hard-core" from welfare to employment through education, job training and other means. The

Disaster Relief Act of 1968 was legislated to provide wage loss payments to persons falling victim to natural disasters if they were unprotected by unemployment insurance. The Emergency Employment Act of 1971 was passed to set up a public service employment program for workers who lost their jobs in the 1970-71 recession and was especially tilted toward workers who were unemployed as a result of reductions in defense spending. Most recently, there has been the Emergency Jobs and Unemployment Assistance Act legislated in 1974 to provide public service jobs and jobless benefits to workers who have used up all their unemployment insurance entitlements or who are not protected under the Federal-State system.

As each new legislated program has been piled on top of the others, the Employment Service has been forced out of its tradition emphasis on job placement and required to accommodate to new and ever-expanding goals. In its evolving role as the operator of the nation's manpower program, the Employment Service continued to be faced with inadequate administrative funds. That inadequacy and the federal emphasis on services to the disadvantaged brought about a de-emphasis on placement services to the mainstream job applicants, including unemployment insurance claimants. Not only was the "work-test" bypassed but claimants were discouraged from registering for employment with the Employment Service. The manpower programs of the 1960's and 1970's carried with them some funds for administration but the chief source of operating financing continued to be the federal unemployment tax receipts.

Reflecting the changing emphasis, the apportionment of State allocations changed significantly over the period from the early 1960's to the 1970's. Over the decade, federal unemployment tax receipts allocated for the operation of the Employment Service rose from about one-quarter of State allocations to one-half. Meanwhile, general revenue supplements to federal unemployment tax funding of the Employment Service also increased. Beginning with 1.0 percent of total Employment Service allocations in 1962, general revenues financed an estimated 27.0 percent of operations by the start of the 1970's.[10] Considering the expenditure of Employment

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[10] See Stanley H. Ruttenberg and Jocelyn Gutchess, The Federal-State Employment Service: A Critique (Baltimore: The John Hopkins Press, 1970), pp. 14-15.

Service time on manpower program, however, the 27.0 percent fell far short of funding those administrative costs.

When the Employment Security Amendments of 1970 were before Congress in the 1969-1970 Session, concern about the rising costs charged against federal unemployment tax receipts caused legislative intent to be expressed that the manpower programs assigned to the Employment Service should be financed from federal general revenues. The criteria which Congress set forth to determine the appropriate charges against federal unemployment tax receipts included the relationship between employment covered under State unemployment insurance laws and the total labor force, the number of claimants, and the number of job applicants. The financing change was to become effective with fiscal years starting on July 1, 1972.[11] Earlier wording in the Social Security Act concerning the use of the federal unemployment tax receipts to finance Employment Security programs was much broader. Title III of the Act previously stated that appropriations should be based on such factors as the population of the State, an estimate of the number of persons covered by the State unemployment insurance law, and the estimated cost of proper and efficient administration of the law.[12] The short time since the new provision was to become operative as well as the recent transfer of numerous manpower functions from State to local government operations makes it premature to appraise the extent to which Congress' intent has been carried out.

The Effects of Federal Unemployment Tax Financing on the Employment Service

The early decision to finance Employment Service administrative costs out of federal unemployment tax monies set a course which has prevailed during most of the history of the public Employment Service in this country. Down through the years since 1938, the source of funding has presented the Employment Service with some advantages. It also, however, has had some undesirable results.

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[11] See Public Law 91-373, Sec. 901(c) of the Social Security Act as amended. The Report of the Committee on Ways and Means, House of Representatives to Accompany H.R. 14705 (Washington: U.S. Government Printing Office, November 10, 1969, p. 36, describes the legislative intent.

[12] Financing Employment Security Programs, op. cit., p. 25.

Change in Orientation. Until unemployment insurance laws became effective in the States and benefits were about to become payable, the Federal-State system of public employment offices were mainly concerned with the process of selecting unemployed persons for public work-relief projects. The offices did engage in some placement activities for private industry, but for the most part these were confined to unskilled and casual jobs. Large numbers of the applicants for public jobs were also unskilled, inexperienced, or skill rusty. The advent of federal unemployment tax financing and the accompanying responsibility to test unemployment insurance claimants' interest in reemployment offered the Employment Service some real advantages. With the start of unemployment insurance payments came expansion of the offices to handle the new job seekers. And the employment characteristics of the claimant-applicants differed sharply from those of the relief clients. Unemployment insurance brought skilled, experienced workers -- the job ready -- into the offices. And the Employment Service was called upon to expand its solicitation of job openings from employers so that it could offer a variety of referral opportunities to the claimants. Thus, the offices were forced into a broader participation in community hiring practices and out of the "relief" mold.

Public Image of the Employment Service. Because of the affiliation with the National Reemployment Service and the responsibility for selecting jobless clients for public works projects, the Employment Service established an early reputation as a "relief" agency. With the start of unemployment insurance, and the shift in clientele to large number of qualified applicants, the "relief" concept largely was dispelled. To many unemployment insurance claimants, however, the employment service has come to be regarded as the "unemployment office." For a variety of reasons, the greatest proportion of claimants have not obtained work through the offices. Some workers have their own job-finding channels, as through their unions, for example. Others are on short-term layoffs from their regular employers and have scheduled return dates. Moreover, because employers' utilization of the employment service has not been universal, the kind and quantity of job listings with the offices have not paralleled those of industry's recruitment needs. Some employers have viewed the service as a place only to recruit unskilled or entry-level workers. Others have feared that only repeat claimants would be referred. And, the change in emphasis away from assistance of mainstream applicants in recent years and many State services' discouragement of referrals of any workers but the disadvantaged have tended to alienate numbers of employers who had become accustomed to careful screening and referral of qualified applicants. Recent moves to strike some program balance still find many employers wary, their confidence in the effectiveness of the placement services not yet fully restored.

Diversion of Employment Service Personnel. The charge on the Employment Security program to pay unemployment insurance claims promptly has from the start been disruptive to Employment Service activities. The 1937-38 downturn in the economy coincided with the start of unemployment insurance payments. Then began the first shift of employment service staff to take on unemployment insurance activities as claimants crowded into the offices. This diversion of personnel from the work of soliciting job orders and referring workers to employment has occured again and again over the years. It has been argued that flexibility of staff is a desirable situation, that staff should be able to move from one activity to the other as needs arise. Even in recession periods, however, when unemployment is high, some hiring takes place in the communities. The abandonment of placement functions in poor times is a disservice to all job applicants and to the economy. Attempts to avoid this diversion began in the 1950's. States were encouraged to set up rosters of temporary, trained personnel to meet peak unemployment insurance loads and a system of obtaining contingency appropriations was established. Even with these moves, however, the diversion problem has never been completely resolved.

Adequacy of Financing. At the outset, the availability of federal unemployment tax monies offered the Employment Service a funding stability not obtainable under federal and State general revenue appropriations for employment services alone. Certainly, in the years immediately following World War II when Congress reflected the country's interest in reducing government spending, the funding mechanism was a valuable resource to the service. Even prior to the earmarking of federal payroll tax monies for employment security purposes, there was tacit understanding that appropriations were based on those collections. Moreover, the federal funding has promoted uniformity of financing among the States' Employment Services, relieving State agencies from having to justify their worth to their legislatures in order to obtain matching federal grants. Certainly, in many States, the present funding arrangement has been more generous than one which would be partly dependent upon State appropriations. Moreover, the availability of federal unemployment tax monies to finance the Employment Service has shielded the service from having to demonstrate its value to Congress. Without this funding source, the Employment Service well might have had its program drastically curtailed because of the difficulty in justifying general revenue appropriations.[13]

Financing the Employment Service in the Decade Ahead

The Employment Service is now at a crossroad. Most of the manpower programs, whose operation has absorbed the bulk of the Service's attention for almost ten years, have been reassigned to the cities and counties. Once considered the nation's manpower agency, the Employment Service has been stripped of much of this direct responsibility and left to compete with other suppliers in bidding to furnish services to the new prime sponsors.

The redirection in program emphasis which has been forced upon the Employment Service at this stage offers an opportunity to reconsider not only what kind of program it should have in the years to come but also how that program should be financed.

The nature of the program should determine the financing methods which are used. In the history of the Employment Service, as we have seen, the logical linking of program and funding sources sometimes has occurred and sometimes it has not. At this point, however, there is opportunity to set a new course.

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[13] For discussions of the advantages and disadvantages of the present funding method for Employment Service operations see "Statement of Robert C. Goodwin, Administrator, Bureau of Employment Security, Manpower Administration, U.S. Department of Labor," before the Select Subcommittee on Labor, House Committee on Education and Labor, Washington, D.C., July 28, 1964, 12 pp.; Haber and Murray, op. cit., pp. 418-437; and Ruttenberg and Gutchess, op. cit., pp. 12-27

What kind of Employment Service is to be financed? Here is one proposal:

1. The Federal-State partnership in operating a full-functioning public Employment Service for all job applicants will continue.
2. Unemployment insurance will stay a Federal-State system and the Employment Service will be expected to register claimants for employment, consider them for referral to suitable jobs, and provide them with whatever labor market information, employment counseling, testing, and other job assistance they require.
3. The Federal-State system will remain the focal point for assembling and analyzing labor market information and will expand into forecasting short- and long-range labor market trends for use in education, vocational and job counseling, and related manpower and economic planning.
4. The city and county sponsors of the Comprehensive Employment and Training Act (CETA) and any successor groups will move closer to the Federal-State Employment Service for cooperative ventures as the new sponsors gain experience with the demands of manpower programs and the Employment Service demonstrates its capabilities in the manpower field.

If this is the role of the Employment Service, what, then, should be the financing mechanism? Certainly, the use of federal unemployment tax receipts should be required for the provision of full employment services to unemployment insurance claimants. Workload statistics developed on planned employment services to be provided claimants and adjusted for actual performance would form the basis for appropriations from a trust fund account.

The use of federal unemployment tax monies for financing of most of the administration of the Employment Service has been questioned in recent years by study groups, Congress, and program administrators. The Employment Service Task Force appointed by the Secretary of Labor in 1965 concluded that it was inappropriate to use a tax which is levied on employers' payrolls for unemployment insurance administration also to support the other functions of the Employment Service. The Task Force recommended that all activities which could not be associated with unemployment insurance be financed from general tax revenues.[14] The same conclusion was reached by a Congressional committee which reviewed the objectives and operations of the public Employment Service. Recommended was "financing of other Employment Service activities, which are not immediately related to the placement of unemployment insurance recipients, at least partially out of general revenues.[15]

Apart from the inequity that has been pointed out by many who have studied the subject of placing the burden of support on one group for a program which is intended to serve the needs of all the public, present federal unemployment tax support has been a deterrent to the proper development of the Employment Service. The funding approach not only has determined in part the direction which the program has taken but it also has not provided sufficient monies for the Employment Service to meet its responsibilities.[16]

There is no question but that federal unemployment tax monies are limited. And ever since the Employment Security Amendments of 1970 went into effect, the claims upon the collections have mounted in spite of the increases in employers' payroll taxes that the law required.[17] The legislation increased the competition for federal unemployment tax dollars by initiating a Federal-State program of extended benefits; half the cost of the recession benefits are met from the federal tax collections. The measure also increased the need for funds to administer the system by adding new coverages to unemployment insurance, including small employers, nonprofit organizations, and many state government operations.

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[14] "Employment Service Task Force Report," Employment Service Review, Vol. 3, No 2 (February, 1966), p. 26.

[15] The Role and Mission of the Federal-State Employment Service in the American Economy, a report prepared by the subcommittee staff of the Select Subcommittee on Labor, Committee on Education and Labor, House of Representatives, 88th, 2d session (Washington: U.S. Government Printing Office, 1964), p. 70.

[16] See Ruttenberg and Gutchess, *op. cit.*, pp. 72-74.

[17] Public Law 91-373 raised the effective federal tax rate from 0.4 percent to 0.5 percent as of January 1, 1970 and the taxable wage base from $3,000 to $4,000 as of January 1, 1973

If, then, federal unemployment tax receipts are to fund only those Employment Service activities which can be directly related to unemployment insurance, what funding source should be used for the remaining functions? General tax revenues have been widely proposed as the the means of financing services to the rest of the public. Some see in this source a means of furthering the national direction of the system and of effecting quantitative and qualitative improvements in the service.[18] Others have suggested that using general tax funds would require the Employment Service to justify its services to the public in order to obtain appropriations. The concept of direct accountability thus would enter into the funding mechanism.[19]

Moreover, without the availability of federal tax receipts, Congress would be compelled to consider and provide for the cost of administering any new Employment Service programs which it might legislate.

The Federal-State matching grants system of financing the public Employment Service originally specified in the Wagner-Peyster Act no longer is considered as an optional means of program financing. The assumption of national responsibility for manpower problems and recognition of national influences on local economies and trends in employment and unemployment have made the earlier approach obsolete. Just as importantly has been the awareness since World War II days that funding by the States would be uneven and that Employment Service functions in some States would be curtailed drastically because of the reluctance of State legislatures to provide adequate funds.

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[18] Ruttenberg and Gutchess, loc. cit.

[19] See Haber and Murray, op. cit., pp. 433-434.

But what would be the role of CETA prime sponsors in the cities and counties, as well as any other successor groups in the financing of Employment Services? It can be presumed that persons who have been trained and given related services under the local manpower programs and ready to enter employment would be served by the Employment Service in the same way as other job applicants in the community. Special services that the CETA sponsors would delegate to the Employment Service, on the other hand, should be financed from the manpower revenue-sharing monies. Presumably, the sponsors' grants would have included provision for the special services which could either be furnished directly or contracted for with another agency. It would seem appropriate that grantees should pay fees for services just as other users would be required to do.

Broadening the base of financial support for the public Employment Service offers many advantages. Services to unemployment insurance claimants would be identified and the Employment Service would be compensated for the work performed. The Employment Service would be directly accountable to the public at large for the services performed under general revenue financing. The opportunity for more adequate funding from a broader tax base than formerly would allow the Employment Service to improve its responsiveness to the needs of the general community. The Employment Service's receipt of compensation from manpower services groups as user fees for special tasks would round out the financing arrangement and also would set a precedent for fees-for-service from other user groups.

HOW SHOULD THE EMPLOYMENT SERVICE BE FINANCED?

An Address by

Leonard Lesser
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Center for Community Change
Washington, D. C.

April 24, 1975

Established by the Wagner-Peyser Act of 1933, the Federal-State Employment Service has gone through a variety of funding arrangements. Although its resources have come from a variety of programs and agencies, yet except for a brief moment in its history, the federal government has been the sole funding source.

A review of the history at this point -- which is known to most of you -- would do little to answer the questions posed to this panel -- "How Should the Employment Service be Financed?" This does not imply a lack of recognition that the source of funds -- whether federal or State -- or whether from an earmarked tax on employers or from general revenues -- will have an impact on the operation of the Employment Service. Nor does it imply a naive belief that the current methods of financing can be ignored or are likely to be discarded on the basis of the conclusions that might be reached by this group let alone in this paper.

Rather, my views stem from a belief that the basic structure and role of the Employment Service must first be determined and that the financing methods, including those in current use, which are used to finance the Employment Service must be adapted to assure that the predetermined role is carried out.

The basis for the federal funding of the Employment Service is that since manpower problems are national in scope, transcending State lines, nationally determined manpower goals and policies are required; and the Employment Service is to be the operational tool and agent of such national policy. Such an assumption also requires that the funding levels be adequate to assure that the Employment Service can carry out its assigned functions in achieving existing manpower policy. Thus, with the heavy unemployment we are now facing, it is clear that substantially more direct federal funding is necessary to increase the capability for job creation -- through public service employment, public works, and methods aimed at the creation of jobs in private industry.

At the same time, the methods of adequate federal funding must be accompanied by methods to assure adequate federal leadership, responsibility, and sanctions which will assure that the national goals are being carried out with the allocated funds.

To effectively accomplish this objective, the existing sanction of withholding all federal funds upon a finding of non-compliance must be modified. The federal government must be able to exercise selective controls through the withholding of funds for specific areas of operation in which the Employment Service is not complying with national objectives at the same time as it continues its support of other areas of activity. Only a total failure to fulfill the national objectives warrants a total withholding of funds. As a part of any withholding, whether selective or total, there should be an opportunity to use other agencies to perform those operations necessary to carry out the national objectives.

Experience in the Employment Security, Welfare and other Federal-State programs has demonstrated that in the absence of federal authority to operate the program, the sanction of withholding too often falls on the beneficiary of the program rather than the offending governmental agency; and that the sanction is rarely if ever exercised. With that knowledge, the threat of withholding federal funds in an inadequate tool for achieving national policy.

If, on the other hand, the Employment Service is to be a loose confederation of State agencies with each one determining its own role as a manpower agency or having the ability to exercise a veto over federally-determined policies or goals, then I see little reason for the federal government to be the sole or even the major source of its financing. More than enough federal funds unaccompanied by federal controls on how they are to be used are now being allocated to the States and local governments through general revenue sharing. I am opposed to the granting of additional federal funds to permit the

Employment Service to be financed on the same basis. I am certain that all State agencies would join in opposition to a bill that would increase the general revenue sharing allocations by an amount equal to the sums now being granted to finance the Employment Service and to seek their funding from State legislatures without a federal requirement that such sums be allocated for Employment Service uses.

Federal responsibility and leadership does not mean either federalization or federal control over the day-to-day operations of the Employment Service. What is required is an acceptance of the national goals as they may be defined and redefined from time-to-time and assurances that the priorities and operations are of the Employment Service and modified to implement these goals.

Nor does federal leadership mean a lack of responsiveness to differing local conditions and needs. This recognition, however, also requires recognition of the differences within a State as well as the difference between the States. Just as the Federal-State system is intended to provide for difference between the States, so too must a State recognize the special needs of urban communities as distinct from the manpower problems which exist in the rural areas of the State.

While as I indicated, an Employment Service such as I described should receive its support from federal general revenues, this does not mean that the Employment Service would not continue to administer the work test under our unemployment insurance program. Quite the contrary. National policy as expressed in both Title III of the Social Security Act and the Federal Unemployment Tax Act requires that unemployment compensation be paid through public employment offices. At the same time, if the Employment Service is to adequately carry out this national policy, should not the federal government require of employers -- perhaps as a condition for additional credit under the Federal Unemployment Tax Act -- that all job openings be listed with the Employment Service. The requirement for such compulsory listing by federal contractors was a step in the right direction.

It is also clear that current federal policy will require the Employment Service to seek funding from other than federal sources. If the Employment Service is to play a role in carrying out the national objectives expressed through the recently enacted CETA program, it must look to the prime sponsor to whom federal resources have been allocated to carry out local manpower programs.

While there is no question but that the enactment of CETA represents a shift from prior patterns of increasing federal attention to social and economic problems, I do not believe it represents an abdication of federal responsibility to see that the national policies which are the theme of the law -- to give priority to those who are most severely disadvantaged -- may be canceled out by the prime sponsors.

The provisions of Section 108 of the Comprehensive Employment and Training Act of 1973 (CETA) authorizing the Secretary of Labor to exercise the withholding of funds for selective operations and of Section 110 which authorize other methods, including the authority to act as prime sponsor, give to the Secretary the effective authority to see that federal priorities are achieved.

Whether and how the federal government will exercise this responsibility is and will continue to be a subject of debate between the Department of Labor, the prime sponsors and the groups representing the clients at whom the law's priorities are aimed. For the purposes of this meeting, I would only discuss the question of federal involvement with respect to the role to be played by the federally-supported State Employment Service.

It would seem logical and economical to use the resources of the federally-financed Employment Service in implementing the purposes of the federally-supported CETA program. In the administration of Title I of the Economic Opportunity Act, it was agreed that the Employment Service would be the "presumptive deliverer" of manpower services.

Under CETA, however, decision making as to how to put together the various pieces of coordinated program to help the disadvantaged is left to the prime sponsors. Whether it was the philosophy of "decentralization" or the failures of performance in previous manpower programs by many employment services, the framers of the legislation refused to assign to the Employment Service even a presumptive role.

While the federal government may not have the authority to require the prime sponsors to utilize the Employment Service to provide those services for which the Employment Service is already funded, a suggestion has been made which illustrates the leverage which the federal government can exercise through the ability to withhold or grant funds for specific purposes.

At the present time, the Employment Service as part of its responsibility under the Wagner-Peyser Act is required to offer its services to the disadvantaged, the poor and the minorities -- the same target groups as those of the prime sponsor. Such services which the prime sponsor can take advantage of without charge include (1) Registration of applicants; (2) Job Information; (3) Selection and referral to job training and job openings; (4) Job Bank Service; (5) General labor market information, and (6) Coordination of employer contacts.

Yet there are other services which are offered by the Employment Service that fall within the gamut of CETA activities and therefore should be supported by CETA funds. These are services which the prime sponsor must contract for -- with the Employment Service or with some other organization in order to provide services to his manpower clients.

These services which the prime sponsor will have to purchase include (1) outreach and orientation, (2) employment counseling, (3) occupational testing, (4) employability Development Plan, (5) follow up; (6) job development and placement, and (7) specialized labor market information.

If the prime sponsor takes the free Wagner-Peyser services from the Employment Service and contracts with it to perform the services that fall under CETA, they would be performed most effectively since they will all be performed by a single agency.

If,on the other hand, the prime sponsor takes the free Wagner-Peyser services from the Employment Service and chooses some other group to perform the other services for which it must pay, it will loose the advantages which would accrue to his clients through the provision by a single agency of all those services which dovetail with each other.

From the point of view of the Employment Service, if too many prime sponsors fail to utilize the Employment Service to perform the CETA services, many of its normal functions would be carried out by other agencies.

The Employment Service function in too many jurisdictions would be fragmented and the progress which has been made towards building an effective National Employment Service system -- a national manpower objective -- would be lost.

To accomplish the desired approach -- use of the Employment Service, the proposal -- in the case where the prime sponsor and Employment Service cannot agree on a single manpower service program -- would withhold Employment Service funds which would have been used in the local community to provide free services to the prime sponsor's clients, and the prime sponsor would be obligated to use its funds to assure that the services are provided in the community.

The withdrawn funds would revert to the State Employment Service which would reallocate them to other communities where there is a joint agreement between the prime sponsor and the local Employment Service.

While this in itself might provide sufficient leverage to both the prime sponsor and the Employment Service office to work out a joint agreement since otherwise they would both lose the benefit of federal funds which would otherwise be available for aiding the disadvantaged in their area, yet -- the leverage is primarily directed at the Employment Service even in cases where it is clear that the area for the failure to enter into a joint agreement lies with the prime sponsor. In such cases the Department of Labor should exercise its authority under CETA to withhold funds from the prime sponsor and designate some other method which will assure that the disadvantaged in the area are not penalized.

The feasibility of this suggestion requires much more discussion. What it does demonstrate, however, is that the method of financing and the withholding of funds can be adapted towards the development of a national manpower policy under which the Employment Service can meet national goals, respond to local community needs, and be susceptible to changing priorities. These are necessary if the Employment Service is to become the effective instrument for the delivery of manpower services. How it is to be financed should be an important tool in achieving this goal.

HOW SHOULD THE EMPLOYMENT SERVICE BE FINANCED?

An Address By

Henry Rothell
Administrator
Texas Employment Commission

April 24, 1975

We have examined several aspects of the future role of the public Employment Service and I would now like to examine with you what I consider to be one of the most important elements contributing to the success or failure of the public Employment Service. The element I am talking about is the matter of funding or financing the program.

History

When we speak of Manpower Programs, it takes us back to the Middle Ages when the economy of the Western world began to shift from the simple organization of feudal society to a more urban structure. This created the problem of finding a job or finding a worker which demanded the services of some form of an "employment broker." Since then, men have been attempting to establish order in the random search for work. As the economy grew, unemployed workers gathered at some designated recruitment spot such as a public place or a crossroad. Here, employers came to hire workers or post notices of the type workers needed.

Later, religious orders in France and elsewhere did placement work as part of their philanthropic activities. The first employment service of record was established in Nuremberg in 1421.

With the growth of national governments in Western Europe following the year 1500, the state stepped into the employment office function. In Tudor England, for example, statutes of laborers were established providing for local supervision of employment arrangements. The Elizabethan Poor Law, passed in 1601, in addition to providing relief, assigned to the parish overseers the duty of seeing that the able-bodied were put to work and the young poor people were placed as apprentices in the various trades. Just after 1700, municipal workshops were established which provided jobs for the unemployed able-bodied poor. From this, we can see that the WIN program and Public Service Employment are far from being a new approach to serving the hard-core unemployed.

In the United States, the public Employment Service evolved from the fact that large numbers of immigrants were being admitted to serve the needs of industry during the late 1800's and early 1900's. Civil and political groups began to demand legislative action to reduce the mass confusion resulting from the lack of an organized method of finding jobs for workers and workers for jobs. The first public Employment Service offices were operated by municipal governments. At least 40 municipal employment offices existed between 1893 and 1919. The first law establishing a State program of public employment offices was passed in Ohio in 1890. Later a number of States passed similar laws and, during the same period, the federal government established a Division of Information in the Bureau of Immigration which was in the Department of Commerce. The Division of Information had the responsibility of channeling immigrants into areas of job opportunities. When the Department of Labor was created on March 4, 1913, it took over this responsibility. In 1914 federal legislation was introduced which would have made labor exchanges of the nation's 58,000 post offices. It was never passed beyond the House of Representatives.

Let's move now to the Employment Service as we now know it. Here is the sequence of events which brought us to our present organization:

Established by the Wagner-Peyser Act in 1933 and placed in the Department of Labor.

Transferred July 1, 1939, to the Federal Security Agency.

Transferred September 17, 1942, to the War Manpower Commission.

Transferred July 1, 1948, to the Federal Security Agency.

Transferred August 20, 1949, to the U.S. Department of Labor.

The history of the Employment Service was eventful to say the least.

Those of us who are well into our third decade of association with the Employment Security program remember the National Reemployment Service which was established in 1933. The agency represented the beginning of the Employment Service as we know it now. In fact, it was established primarily to render a placement service until the United States Employment Service could be made operational. It was funded by federal short term allotments from emergency funds and was a straight-line organization with authority flowing from the director in Washington to the State director to the district manager and finally to the head of the local office. Due to the short term funding, which did not follow any set schedule, the National Reemployment Service never knew what its staffing would be from one month to the next. Its primary mission was to provide an orderly method of putting the unemployed back to work through such programs as the National Industrial Recovery Act, and the Public Works Administration.

The forerunner of our present Federal-State Employment Security system, which gained significant recognition, was provided for by a bill introduced by Senator Robert Wagner of New York. This bill passed the House and Senate in 1931 but was pocket vetoed by the President. Senator Wagner again introduced the bill in 1933. Theodore Peyser, a freshman Congressman from New York, introduced an identical bill in the House at approximately the same time. The result was the passage of what is still known as the Wagner-Peyser Act signed by the President on June 6, 1933. This act provided for Federal-State matching funds. Grants allotments were made from various appropriations such as relief and public works funds, however, the major portion came from National Reemployment Service appropriations.

Passage of the Social Security Act

Funding for the Employment Service became more stabilized with the enactment of the Social Security Act signed into law by President Roosevelt on August 14, 1935. One part of this law was designed to encourage the adoption, by all States, of an Unemployment Insurance program. It was prescribed that unemployment benefits must be paid through public employment offices. There were two principal reasons why employment offices are used in the administration of unemployment insurance. One is the necessity for providing a means of applying a work test since benefits are intended only for the bona fide unemployed capable of and available for work. A second reason is that a strong Employment Service can reduce the time lost by workers in finding employment and thereby conserve insurance reserves. The fact that the Employment Service is used in the administration of the unemployment program is the only justification for funding the employment service from UI tax funds.

Under the Social Security Act, the federal unemployment tax was first levied on 1936 payrolls. The rates then provided were 1% for 1936, 2% for 1937 and 3% thereafter.

Subsequent to the passage of the Social Security Act, the Federal Unemployment Tax Act was passed. This act is found in subchapter C of Chapter 9 of the Internal Revenue Code. It was originally Title IX of the Social Security Act. One of its primary features is a provision which allows an offset credit of 2.7% against the 3.2% federal tax for employers to reduce their tax rate. The remaining .5%, that is the difference between 2.7% offset payment to States and the total 3.2%, paid to the federal government pays for the administration of the Unemployment Insurance Program and the Employment Service.

Title III of the Social Security Act provides for a grant of money to each State which adopts an approved type of unemployment compensation law. The purpose of the grant is to defray the full cost of administering the State law and this includes the Employment Service by virtue of the combined Employment Service and Unemployment Insurance feature. Although the tax collected by the federal government is expected to meet the costs of these grants, the act does not so specify. It nowhere specifies either that all of this money shall be used for this purpose, or that the grants shall be limited to the amount of the payroll tax revenues. For these reasons, the funding is subject to Congressional limitations and this is reflected in our budget process and the constant justification for additional funding. For an extended period prior to the mid-60's, the Employment Service was, for the most part, financed by grants money in that we were concerned with placing people motivated by the work ethic and mostly employable, thereby being more closely associated with serving the employers.

In recent years, the Unemployment Insurance and Employment Service administration had added to its responsibilities the various specialized programs which were financed from the general fund. Some of these were the unemployment compensation coverage for Federal employees, ex-servicemen's unemployment insurance, the various anti-poverty programs with specialized service to the disadvantaged, minority groups and others of the populace who make up the hard core unemployed, and although not exactly a specialized program, it had the same impact and that was the 1970 Unemployment Insurance amendment which provided for unemployment insurance coverage of nearly all employing establishments having one or more workers.

Federal Unemployment Tax Act Versus General Revenue

The implications of tying closely to the Unemployment Insurance employer tax revolve around the inflexibility of the funding process. Although it has provided a far stronger and more stable base for the Employment Service funding, its complexities were such that it no longer appeared to be an appropriate source for complete funding.

In 1970, Congress authorized the use of General Revenue funds to support the Employment Service. These funds were to pay for those functions determined by the President as not an appropriate charge to the Unemployment Compensation Tax fund. This resulted in approximately 15% of funding out of the General Revenue.

The fact that there is a fixed ceiling on the revenue generated by the Federal Unemployment Tax Act does not make it immediately responsive to all funding needs. As a result, we start with a fixed amount of funding needed for all States for the Employment Service based on production factors or earnings. The amount of funds available is then determined. From the amount available, 5% is set aside for the Regional Office discretionary fund. The remainder is allocated to the States based on a formula which takes into account the productivity in Employment Service activities and the unemployment rate. This source of funding is dwindling to the point where the future of the Employment Service and the role it plays in the overall economic scheme of things appears rather doubtful. For example, the preliminary funding figure for fiscal year 1976 for the Employment Service shows that it is below the amount earned. In other words, we apparently will be required to reduce staff and services at a time when the Employment Service should be making an all out effort to, if nothing else, assist in filling job openings as quickly as possible. It is a basic economic fact that delays in filling job openings, particularly during a recessionary period, retards the recovery through loss in productivy and payroll dollars.

The question arises as to whether adequate appropriations for the Employment Service can be obtained from General Revenues with less degree of difficulty than from the Federal Unemployment Tax Act. This question could only be answered after a great deal of research. We can, however, draw on our past experience. Referring back to the anti-poverty programs previously mentioned, we find that these programs, funded from general revenue, were generously funded and did not present the degree of difficulty in continuity that we have experienced in funding the basic Employment Service activities with the revenue accumulated from the Federal Unemployment Insurance Tax. We must temper this observation, however, by the fact that these were dramatic programs that were perhaps politically expedient. How they would have fared year after year with the same duration as the Employment Service is unknown.

The funding situation has become so critical that it is timely all avenues of alternative methods of financing should be explored. Some of these are:

1. Federal Unemployment Tax funds used for direct placement activities, and such services as proficiency testing for typing, dictation and spelling for stenographic positions, specific aptitude testing for the inexperienced applicants. These are basically the activities benefitting the tax paying employers.

2. General Revenue funding used for such workloads as placements in government agencies, employment counseling, general aptitude testing, agricultural placements and the court ordered equal access of services for migratory workers.

3. Reimbursement from related funds for all services rendered in other programs such as Job Corps, Food Stamp applicants and Prime Sponsors of the Comprehensive Employment and Training Act.

For a start toward alleviating the budgetary problems, consideration could be given these proposals:

1. Federal-State partnership as now with improved dialogue between the States, the Manpower Administration, Congress and the Office of Management and Budget.

2. Federal-State partnership with bottom line budget authority delegated to the State level. This would not solve the limited funding problem, but it would at least give the State agencies a much improved method of resource utilization and permit them to gain more from that which is available.

3. All funding from Federal Unemployment Tax Act earmarked for direct services to tax paying employers with general revenue funding for other activity as previously stated. In this connection, I will state that under this type of funding the FUTA funds for direct services to employers may be a larger item than some may realize. I do not have the national figure, but in Texas the number of different employers requesting services of the TEC rose from 66,367 in 1971 to 90,698 in 1974. The majority of these are employers covered under the FUTA. I mention this to perhaps avoid a mistaken assumption that the tax paying employers would not be a large contributor under this proposal.

4. The establishment of a quasi-independent government corporation similar to the United States Postal Service. This would establish an independent agency of the executive branch of the United States government. It would be operated by a board of governors appointed by the President and confirmed by the Senate. The board elects one of its members as chairman. Admittedly this would be a drastic change, however, this situation does not rule out the feasibility of drastic action.

There are other methods that I'm sure would have a great deal of merit. The Interstate Conference of Employment Security Agencies will continue to explore a more realistic approach to solving these problems. The main thing to consider at the moment is that action must be taken immediately if the Employment Service is to continue playing a dynamic role in the use and development of manpower resources.

I have discussed with you the history of the Employment Service and its past financing, and have briefly revealed some alternative methods of financing.

To me, the real question involved in financing a public Employment Service must be the adequacy of the funding, the timeliness of such funding, and the extent to which such a program is to be used. It is not so important to me as to where the funds come from as to the matter of whether they are sufficient and in time to provide the services expected by those entitled to services under the provisions of the legislation.

THE EMPLOYMENT SERVICE IN FOREIGN COUNTRIES

A Paper by

Beatrice G. Reubens
Conservation of Human Resources
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April 24, 1975

Those who wonder whether other countries are ahead of the United States in their employment service activities may be reassured by a statistic or two. Sweden's employment service, whose leadership is commonly acknowledged, probably does not directly serve through all of its varied activities more than 15 to 20 percent of the entire labor force in any year. Internationally, few employment services can claim penetration rates above 25 percent, leaving the bulk of job placements to other channels.

One conclusion from these statistics is that the gap between the best and worst performers is necessarily narrow because the ceiling is so low. If numbers were the only criterion of success, the lagging countries would not have to go a great distance to catch up to the leaders. But all would confront the fact that they are not serving the vast majority of the labor force.

There is, however, another message from the comparative numbers. It is that numbers should not be regarded as all important as an index of the quality or contribution of the employment service. Equal weight may be placed on the employment service's general and indirect achievements which are not necessarily captured by the number of individuals who are served. Concern about these general and indirect activities is evident in recent developments in the employment services of countries on three continents. Despite differences among the developed countries in size, political and social institutions, economic circumstances, population and demographic developments, major trends are remarkably similar from one country to another.

A review of trends should not neglect the harmonizing influence of the OECD which has acted as a prod to new thinking, a transmission belt for the innovators and a meeting place for the exchange of ideas and experience. Perhaps OECD has contributed more uniformity to the philosophy and rhetoric than to the activities and organizational forms, yet similarities in present directions seem to overshadow differences in past inheritance. Americans should not be surprised if the trends in other countries sound somewhat familiar.

One major trend is the separation of the employment service from the unemployment insurance system, both programatically and physically. Full employment and labor shortages in the 1960's fostered this in Europe, while the United States and Canada moved in the same direction under somewhat different influences. All countries with long established employment services were eager to remove the image of the "unemployment office." In this respect, the Scandinavian countries had an advantage because their trade union unemployment funds had long been divorced from the employment service. Countries which have recently established, strengthened or reorganized their employment services--France, Ireland, Denmark--have been careful to keep the unemployment benefits function apart. In some countries the employment service has abandoned its function of testing willingness to work and policing the unemployment benefits system. Standing in line to claim or receive benefits has become a thing of the past as the telephone, mails and self-service sections of the employment service substitute for the older forms.

As a corollary, payroll taxes have been reduced as a source of finance for the employment service. General revenues are substituted as a rule. An important exception is West Germany which has increased the use of the payroll tax as it has added new activities. The appended table indicates that per capita expenditures on the employment service vary considerably among nine developed countries. West Germany and Sweden spend over $10, nearly five times as much as Great Britain lays out per member of the labor force, while the rest of the countries fall between $4.50 and $6.70. The United States is third highest in expenditures, but it would not rank third in penetration rates. No connection between the source of finance and amount spent per head can be seen. Due to differences among countries in the year of the survey and other difficulties, international comparisons of this sort should be used cautiously.

Another major trend is a diminished emphasis on placement as the primary function of the employment service. Actually the employment service in most countries continues to be known mainly for its placement activity, but the effort has been to enlarge the scope of activities. In part, this trend reflects changes in the way placement occurs; in part it arises from the adoption of new manpower goals and policies and the assignment of an important role to the employment service in their execution. To begin with, the placement activity may become less important as new methods are introduced--especially self-service centers and electronic data processing--which have a potential for eliminating the intermediary in placement. As clients increasingly place themselves, placement statistics may become difficult to collect and meaningless.

Although the Swedish innovators accept this consequence as intentional and desirable, other countries are concerned that automatic, unrecorded placements may remove one of the management controls in the employment service. Yet it seems inevitable that these developments will proceed further, with the result that the placement section becomes a personal counseling service for the difficult cases, superimposed on a mass of automatic activity, as an OECD Working Party on the Public Employment Services described it in 1971.

Apart from the potential for automatic placements, the placement activity has lost prestige because it is a passive response to the labor market. It operates as an intermediary, dispensing information, and does not influence the quantity or quality of jobs or jobseekers. Also it puts most of the burden of adjustment on the jobseekers, accepting employers' requirements as fixed. Moreover, unless the supply and demand are in reasonable balance, the placement service cannot be very effective. Either tight or loose labor markets result in dissatisfaction on the part of one of the parties seeking the aid of the employment service. Experience suggests that severe imbalance in the labor market is a far more common occurrence than balance.

Another limitation on placement follows from analyses of the labor market which reveal segments that cannot be penetrated by the public employment service. No increase in resources, staff or effort will raise the placement rate because institutional or other restrictions dictate that access to these jobs shall be achieved through other means, e.g., trade unions, professional associations, formal examinations, licensing, and personal connections. Try as it may, the public employment service can never place a majority of jobseekers in more than a few occupations.

To these negative reasons for downgrading placement as the main or only activity of the employment service must be added the positive influence of an active manpower policy. According to an OECD Working Party of informed officials of 17 member nations, the major functions of an employment service which is evolving into a manpower agency are: implementation of economic and manpower policy; provision of labor market information and manpower analyses; employment counseling and career guidance; placement services, including special services for particular groups; supervision of labor mobility and immigration; manpower development and occupational training; regional economic development.

To symbolize their new manpower interests, many employment services have moved local offices to brighter offices in better locations and have adopted new names. Britain now calls its offices Jobcentres, Canada has converted to Manpower Centers, West Germany operates under the Federal Labor Institute instead of the former Federal Institute for Placement and Unemployment Insurance, Ireland has established a National Manpower Service, Belgium has changed from a National Office for Placing and Unemployment to a National Employment Office. And so it goes. But Sweden clings to the name "Employment Service," so performance should not be equated with name.

Although the concept of an active manpower policy undeniably has spread through the developed countries, its impact on each employment service has varied a good deal. The share of the new tasks assigned to the employment service has depended on each nation's interpretation and choice of goals, commitment to their implementation, social and political structures, organizational forms and traditions in government and the employment service, and prevailing labor market conditions.

At the intermediate stage in the evolution of the employment service, a stage which virtually all developed nations have reached, the passive placement function is supplemented by an active role in adjusting and improving the quantity and quality of the labor supply, but without much impact on demand. At a more advanced stage, the employment service would become a full-fledged manpower agency, successfully conducting manpower policy as an integral part of economic policy, aiding the occupational and personal development of the labor supply, and assisting employers to utilize their entire work force efficiently. Sweden may be farthest along the road to incorporating all of these objectives in its program. Japan, Canada and Great Britain have some experience with helping employers in the utilization of existing and new workers.

Manpower activities directed towards improving the labor supply are numerous, but they are not always located in the employment service. If a country provides mobility grants, they are very likely to be administered by the employment service. However, training and retraining, job creation, permits for foreign workers, location of industry and regional development, housing and welare facilities and other measures may be spread among several agencies or concentrated in a body other than the employment service. Similarly, forecasts of employment trends may be partly or entirely the responsibility of the employment service.

The appended table shows that in each country the total expenditure on manpower programs, including the employment service, is several times greater than the expenditure on the employment service alone. However, these figures do not reveal which programs are administered by the employmemt service; they simply tell how much the country spends. Sweden's leadership is firmly established, if per capita expenditures are the test, with Canada and the United States next. West Germany, whose expenditures on its expanded training programs in recent years have advanced rapidly, might occupy a higher rank in a later compilation.

Whether the employment service administers a large number of manpower programs seems to be related to the form of organization adopted. Japan is a case of a country with a large number of programs and a small share for the employment service. Organized under the Ministry of Labour, the Employment Security Bureau operates the highly centralized employment service, while other programs fall under the unemployment counter-measures department, the vocational training bureau, the trade skill test association and the employment promotion projects corporation, a non-profit semi-governmental organization which has responsibility for a large number of agencies and programs. The Japanese employment service pays mobility allowances but otherwise it does little beyond the traditional tasks of information, guidance and placement.

Sweden and West Germany, along with Norway, Belgium, and recently Great Britain, follow a different organizational pattern which appears to foster a wider range of activities for the employment service. Sweden's case may illustrate the most extensive role anywhere for an employment service, since the district and local offices of the Swedish employment service are the sole agents for virtually all aspects of manpower policy, a highly developed and broad-ranging series of activities in Sweden.

The distinctive feature of Sweden's organization is that the National Labor Market Board, which has overall responsibility for all manpower programs, is a semi-public body with only a reporting responsibility to the Ministry of Labor. Besides a director and deputy director, the Board consists of three employer federation representatives, six trade union federation representatives, one representative for agriculture, and one for female labor. The direct participation of the interested parties in policy-making and administration is a great strength, and the semi-public status encourages a degree of programmatic and financial flexibility and independence not found in a Manpower Administration which is part of a regular government department. In the other countries mentioned above, the situation is similar, except that Great Britain in its 1973 reorganization decided on two separate agencies for the employment service and training under the overall direction of the Manpower Services Commission.

Sweden's National Labour Market Board and its Employment Service have authority over the full range of accepted manpower measures: placements, labor market information and research, control over the permitted private employment agencies, vocational guidance and rehabilitation services, training and retraining, various types of mobility allowances, purchase of homes when workers have to move, family allowances to seasonally unemployed heads of household, job creation, sheltered employment, advance warning of dismissals, special employment programs for women, youth, older workers and university-educated unemployed. In addition, the Board is involved in the granting of permits to alien labor, exchange of officials with the Finnish employment service, migration of manpower over frontiers, the collective admission of European refugees, transfer of foreign gypsies to Sweden, management of the investment reserve system for private companies (an anti-cyclical device), advice on the location of new industrial establishments, regional development aid, manpower mobilization in time of war, deferments from compulsory military service, and labor market services to military conscripts on termination of their services.

Unlike Sweden, many countries do not regard some of the latter measures essentially as manpower programs. The job creation involved in regional development programs is one case in point. As the appended table shows, several countries spend considerably more on this activity than they do on all the conventional manpower programs taken together, but it is administered outside of the employment service and the manpower agencies.

In Sweden manpower policy is made at the national level and, by American standards, Sweden's manpower policy and administration are highly centralized. However, the 24 county Labor Market Boards, constituted in much the same way as the National Board, have been given an increasing latitude and responsibility for seeing that programs are executed through the district and local offices.

In its district and local offices Sweden's employment service employs about 3,400 out of the 6,200 people who work full-time on manpower; in addition, there are over 1,000 part-time employees. A training college is maintained near Stockholm to which all new recruits are sent for a basic training year and further training. So prized is a job in the employment service that 5,500 people applied for jobs in 1970 of whom only 125 were hired. Yet there are no formal educational requirements for employees and life experience is highly valued. Recruits for vocational guidance positions usually are university graduates.

It is apparent just from the two cases of Japan and Sweden that the position of the employment service varies much more than a list of national manpower programs would indicate. There are, in addition, some individual examples of activities by the employment service of particular countries which merit attention.

Private Employment Agencies

Only in the English-speaking countries--Great Britain, Canada, Australia, and the United States--is there extensive activity by private employment agencies. In most countries such agencies are forbidden, restricted to certain occupations or regulated, in accordance with I.L.O. Convention 96. For years the British trade unions have called for abolition of private agencies and from time to time legislative action has been initiated. The most that had been accomplished legislatively has been the Employment Agencies Act of July 1973, an enabling Act which suggest standards for the services rendered by agencies to employers and jobseekers, and establishes licensing requirements. These suggestions will become effective when parliament passes the detailed regulations to be submitted by the Department of Employment.

Meanwhile Britain's membership in the Common Market raises the entire question of abolition anew, since the other members forbid private agencies and there is a strong desire to harmonize the social legislation of the member countries. If Britain's new regulatory legislation prevails, it may open the door to private agencies on the Continent. Otherwise Britain may join the nations which prohibit or limit private agencies.

Under the threat to their existence, British private agencies, organized in the Federation of Personnel Services, have sponsored a number of social projects which are not usually associated with private agencies. They joined the National Association for Mental Health in a program to teach employers about the mental health of their workers and sponsored a "Problem Desk" in one of the private agencies, served by an interviewer with a social work background. An effort to secure jobs for ex-prisoners had the support of the Federation which also has met with community groups on issues of discrimination in employment.

Fee-charging in the Public Employment Service

The principle that a public employment service should charge no fees to employers or employees is well established and is stipulated by Convention 88 of the I.L.O. Great Britain recently withdrew its endorsement of this I.L.O. convention in order to charge fees to employers who recruit employees through the Professional and Executive Recruitment Service (PER), a specialized and distinct branch of the public employment service which fills and locates jobs in the middle ranks of the professional, managerial executive, technical and scientific occupations and draws university graduates.

The decision to charge fees grew out of the conviction that an effective employment service must cover the entire spectrum of occupations including the highest levels. In many other countries this sector is deliberately ignored or given minor consideration. But even among the countries which desire to provide services to the higher occupational levels, the fee-charging approach has not been tried. Britain's decision was made at a time when the PER placed 1 in 6 of its applicants and filled 5 percent of the jobs in its field. Each of its placements cost an average of £100 against £12 in the remainder of the employment service.

In order to finance an expanded and improved PER, the agency imposed a sliding scale of fees corresponding to those of private agencies but lower than the recruitment costs of employers who used other methods. Restyling and modernization of the PER, completed in mid-1973, involved the installation of a centralized computer-based matching system of vacancies and applicants on a national scale, relocation and dressing-up of the over 40 local offices, and improvements in marketing, advertising and staff training in line with priviate agency procedures. In April of 1974, it was estimated that fees were coming in at an annual rate of £1.2 million and costs were running over £2.5 million a year. Whether the goal of a self-supporting PER will be realized by 1976 is not certain, but the expansion of PER activity under fee-charging has been marked.

The Employment Service and the Schools

There is great diversity in the relationships between employment services and the schools, ranging from virtually no contact to major responsibility on the part of the E.S. for the information, counseling and placement of young people leaving secondary education for the labor market. As an example of the active role, Japan's employment service is unsurpassed. Its program was perfected during the 1960's when labor shortages were severe, the supply of young people was declining and Japanese employers, always willing to recruit and train youngsters direct from school for a lifetime job in the firm, were competing vigorously for school leavers.

The employment service (PESO) is not only concerned about the smooth transition of new entrants to the labor market, it also assumes a responsibility for the allocation of labor to the new and expanding sectors of the economy.

Cooperation between the schools and the local PESO offices is close and harmonious, according to all accounts. The employment information service of the PESO is highly developed with many specialized releases which deal with labor market forecasts for new school graduates. These are widely disseminated in the mass media and also are sent to the schools, along with audio-visual materials on occupations. PESO officers visit each school at the beginning of the year (April to June) to give lectures on occupations, participate in relevant school activities, and aid the school in its own activities. A vocational guidance liaison council on which the schools and other organizations are represented exists in each PESO office to determine the information and guidance needs of the schools. Between April and August of each year PESO or the schools, under PESO supervision, administers aptitude tests in the schools.

In May of each year a survey is carried out in the schools to gather information about the number and interests of those who will be seeking work after graduation the following March. At the same time employers are asked to submit their employment plans for school leavers for the following year and they are advised about the supply and wages anticipated. Job vacancies start to accumulate in PESO offices by the beginning of June and by mid-September information is passed on to the schools. Between October and December, employment counseling is conducted in cooperation with the schools in preparation for job interviews. Group visits to prospective employers are conducted. Placement is done either by PESO or, in high schools, by school placement offices under PESO supervision, or, in junior colleges and universities, separate placement offices which receive offers directly. Employers are prevented from making job offers which would cause youngsters to drop out before the school year ends.

Through this system 90 percent of junior high (middle) school and 80 percent of high school graduates are placed in jobs by the time school ends and there is no evidence that they would obtain better jobs if they waited to job hunt. When junior and senior high school graduates are asked how they found their first jobs, 75 percent give credit to the school or PESO. It will be interesting to see whether the hard times of the 1970's undermine the advance planning aspects of the system as jobs become more scarce. The successful cooperation between the employment service and the schools in information, guidance and placement should survive adverse economic conditions.

PESO's interest in new entrants does not end when they are placed in their first jobs. It assists employers, especially in small firms, to improve the adjustment of young workers and to utilize manpower efficiently. In the PESO offices special counselors are equipped to advise young workers, many more of whom have been changing jobs than is considered desirable in the Japanese institutional setting. Since Japanese youth from the countryside and small towns have been flocking to the large cities, PESO counseling services also have been established in the railroad terminals in the biggest urban centers.

Japan is not alone in its close attention to the needs of young people making the transition from school to work. There are differences among the countries in organizational structure and the relations with the schools, but the spirit is similar.

Lessons for the United States

Several differences between the United States and the foreign countries described here must be borne in mind in any attempt to draw lessons. The political system in most of these countries is based on a central government rather than federal and state governments as in the United States. As a consequence, their employment services are automatically organized as a national service, with policy, programs, standards and administration centrally directed, although local units often have some discretion in implementation.

Even West Germany whose governmental structure is federal, like that of the United States, has a centralized employment service, the product of a 1927 law. Contrasting the operations of Germany's employment service with those of other activities (such as education which is controlled by each of the 11 States), the Germans have concluded that state-controlled activities are at a disadvantage. Their newer federal-state administrative structures have been designed to set national policies in areas where the States have legal authority.

No country we have considered has both the size and population of the United States. Canada has the size but not the population. Its system of national government and provincial governments is federal, but its employment service is more centrally directed than the American. Japan which is the most populous country after the United States has a completely centralized employment service. An analysis of the countries with strong employment services suggests that a centralized system adds to the strength when the service is well administered.

A second political difference between the United States and the other countries is that they are organized on the parliamentary system. Programs developed and administered under the parliamentary system tend to be less subject to precise legislative regulation, less restricted by detailed financial allocation or sudden changes, less subject to the creation of new categorical programs and additional agencies which compete or overlap with activities of the employment service, and less likely to be assigned to new duties which affect their capacity to carry on their regular work.

A third difference is the economic climate in which the various employment services have functioned. Except for Canada, and until recently, the countries under consideration have been so free of major unemployment that an American, a former director of the U.S.E.S., who wrote up the proceedings of a 1967 OECD conference on the employment service, noted how little of the discussion dealt with the role of the employment service in an unemployment situation, whether caused by technological displacement, structural imbalances, or economic recession. This is not to say that these countries do not have programs suited to such situations. But the employment service either has not been directly involved in such programs or has not seen them as high priority issues. Whether the experiences of the 1970's will alter this perspective remains to be seen.

Related to the previous subject is the whole question of the disadvantaged. At the same 1967 OECD meeting, the American rapporteur observed that there was a disinclination at the meeting to discuss employability services for the disadvantaged or those who are not regularly in the labor force. Probably none of these countries has as large or severe a problem as the United States. Moreover, many of them have been slower to acknowledge the existence of whatever problems they do have.

But there are countries in Europe--Netherlands and Sweden in particular--whose awareness and action on behalf of their disadvantaged are miniscule besides ours. However, it is instructive to observe the differences in approach. The European programs for the disadvantaged have not dominated the work of the employment service to the detriment of its traditional tasks or manpower activities on behalf of the entire labor force. And their ambitions for the disadvantaged were not so great that they risked major setbacks when economic activity slackened or roused the antagonism of those whose own positions were threatened by efforts to upgrade the disadvantaged.

In light of these differences, are there any transferrable lessons? On the assumption that the American employment service is seeking both to improve its performance in the areas where it is presently active and to enlarge its scope, several points emerge from the experience of other countries and international discussions.

Direct participation by management and labor in policy-making and administration at every level of the employment service is so important that every effort should be made to facilitate it. The usual advisory role is a poor substitute and often ends up as nominal participation.

The effectiveness of the employment service rests on its ability to recruit competent staff who feel that their salaries, social position and job satisfaction in the employment service are not lower than they could achieve elsewhere. However, the resolution of the personnel problem lies beyond the independent powers of the employment service. How the whole society values this activity determines its relative status and pay.

Even capable staff need a period of basic training and refresher courses, especially if the employment service is changing or enlarging its functions. Since training has high overhead costs, the possibilities of pooling training in regional facilities for a group of states should be explored as a means of establishing systematic and comprehensive training.

New and different kinds of labor market information must be developed by the employment service if it is to perform its own manpower functions and serve the other participants. Too often information consists chiefly of data which result from administrative procedures. Consideration must be given to the purposes for which information is collected, analyzed and disseminated and the other sources of relevant information outside the employment service.

The limitations on increasing the placement penetration rate due to segmented labor markets with restrictive entry should be recognized in planning the future of the employment service in the United States. There is room for a substantial increase in placement activity among certain groups, for example, high school graduates and dropouts at all levels, but overall the employment service should not concentrate heavily on raising its share of placements.

Instead, the employment service should focus less on the immediate objective of job-filling and more on the longer run activities which do not pay off in placement statistics. Some of the areas in which the employment service can expand its activities are occupational information and counseling services in the schools and colleges which are now making a very uneven effort to fill the gaps; occupational guidance of a long range character for the labor force including those not changing jobs; assistance to employers so they will report their job requirements and conditions more accurately and adequately, and utilize their internal work force more efficiently.

Government Expenditures on Employment Service and Manpower Programs
(in dollars at current prices and exchange rates)

Country	Year	Labor Force (millions)	Expenditure on Employment Service & Administration[1] (millions)	Per Capita Expenditure on Employment Service (dollars)	Total Expenditure on Manpower Programs[2] (millions)	Per Capita Expenditure on Manpower Programs (dollars)	Manpower Expenditure as % GNP	Expenditure on Permanent Job Creation[3] (millions)
United States	1969-70	84.2	563	6.69	2,701	32.08	0.3	3,082
Belgium	1968	3.8	19	5.00	60	15.79	0.3	180
Canada	1968-69	8.3	43	5.18	281	33.86	0.4	608
Denmark	1970-71	2.4	11	4.58	35	14.58	0.2	59
Germany	1969	27.0	292	10.81	564	20.89	0.4	683
Japan	1969-70	51.0	329	6.45	649	12.73	0.4	709
Norway	1968	1.5	7	4.67	27	18.00	0.3	64
Sweden	1969-70	3.9	40	10.26	324	83.08	1.2	372
Great Britain	1969-70	25.0	58	2.32	314	12.56	0.3	968

Source: Adapted from OECD, Manpower Policy in Denmark, Paris: 1974, p. 53. Due to difficulties in concepts, definitions and international comparability, data should not be regarded as final. Labor Force data from OECD, Labor Force Statistics.

[1] Where available, the costs of the network of employment exchanges and ancillary facilities (e.g., for vocational guidance, aptitude testing, rehabilitation, etc.) are included together with those of the central policy making and controlling body.

[2] Includes employment service, adult training, mobility allowances, temporary job creation, redundancy pay, sheltered employment, etc.

[3] Payments incurred to encourage the creation of permanent employment in depressed areas can take form of investment, subsidies on loans or subsidies to labor costs in particular areas or industries.

CHAPTER 4

Edited Statements by

William B. Lewis
Murray Comarow
F. J. Walsh
William H. Kolberg

William B. Lewis

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U.S. Employment Service

It is not my intention to summarize two days of debate and discussion, but I would like to leave with you a few thoughts of my own.

This marks the end of a meeting, but the beginning of a process--a process of examination, of us, by us, and by those to whom we relate and those whom we serve. Maybe the process will lead to a better focus when we finish. May be it will lead to a stronger mandate, or even a confirmation of the current one. I heard an institution beginning to demand of the outside world that it go on record as to what we are expected to do first and most. If this is what we really hav embarked on, I hope as we fly back to our homes that we think through whether we are going to be ready to respond when we get the answers. We will have to be ready to accept the answers because it seems we have opened up a genuine public dialogue.

As far as the conference itself is concerned, we've had some problems focusing on the issues. This is not to be unexpected. First, I think we have largely ignored the Employment Service for a while, and it is natural that some ventilation would occur. In retrospect, maybe we should have held a conference prior to this one just to ventilate, so that we could have been better able to concentrate on some longer term things. We had some problems removing our thinking from current operating issues and switching to policy issues; that's to be expected because most of us are operators. We had some problems making the thought transition from 1975 to 1985. That's understandable too, because it's difficult for us to remove ourselves from pressing operating restraints and pressures.

We are trying to do something that is extremely difficult without social and economic forecasts of the context we'll be operating in ten years down the road. We could have benefited from some scenarios of the future.

We also had problems talking about Employment Service policy when, in my view, we really don't have in this country well spelled out manpower or economic policy.

Several things seemed to come through loud and clear. As to the role, I did hear that we should emphasize the labor exchange function. Second, I heard that we should stay away from enforcement activities. Third, I heard that we should give more operating flexibility to operators. Strangely enough, to the Feds that meant to local office managers amd to State Administrators it often meant to State Administrators. And finally, I heard that we should do much more to educate the public as to what we are about.

While we are working out long term issues, it's interesting to interject at the end of this conference something about the short term course we've set for ourselves. We said to emphasize the basic placement function. Build up employer services so that we can take in a mix of job openings that will meet the needs of our applicants. Resources are very scarce, so if we don't do anything else we must serve veterans and migrant and seasonal farmworkers. Look at your organization in State bureaucracies and put more staff in direct services while giving more authority to local managers so they can operate. At the Federal level at least, we've been able to ward off enforcement responsibilities. We've not yet been able to have policies reversed to take us out of things we're in, but there is a work plan that will surface those policy issues to the Secretary.

Where do we go from here? We can't let things drop, for these issues are so serious and basic that we must make them issues of national concern.

Murray Comarow

Executive Director
ICESA, Inc.

Tomorrow some of us are going to meet to plan the next steps flowing out of this conference. We will be contacting you to get a second feedback--the kind of feedback that can only come after you've had some opportunity to interpret it to yourselves. We want your help and advice.

I agree with Bert that the conference appears to be reasonably successful. Many diverse groups have shared a common experience; we have had the advantage of obtaining some sort of perspective, not only from principal speakers but from each other, and I'm not sure which is more important.

We heard a paper by Bill Kolberg which is the most honest and least self-serving I have heard a high government official deliver in years. We've had many other fine papers. Outstanding in my mind is the one by Professor Ginzberg, who asked not only what the role of the Employment Service is but where we fit into this nation.

Jacob Clayman of the AFL-CIO said we ought to focus on the disadvantaged and veterans, while Phil Rutledge said that programs for the poor almost always turn out to be poor programs. Is the choice really between servicing employers and workers?

Clayman made a subtle and penetrating point when he observed the public Employment Service, unlike other institutions, has n[illegible] really come into the public conciousness. Nate Semple of Congressman Esch's staff said that perhaps two or three members of Congress really understand what we are about. We've got a job to do--a job that should have been done many, many years ago.

It was extremely difficult to get employers to send people to this conference. We had only slightly less difficulty with the labor unions, minority groups, and others. I don't say that in a spirit of criticism or complaint. I'm simply pointing out the fact that we can go only so far in our efforts, then we've got to get some kind of response.

Several speakers made the point that the Employment Service has become a scapegoat for failures which are rooted deeply in our national life. Other speakers noted that the public has little confidence in most of our major institutions, the government, Congress, schools, churches, big business, big labor, and so on. I appreciate both of these points, but we cannot use them as alibis. We've got to perform with what we have.

In any nationwide system some parts of the organization work better than others. Within your own States, would you argue that everyone of your local offices is at an equal level of effectiveness? We've got to bring those which are not doing well up to the standard that is being met by the best.

On the issue of federalization. It's a tempting notion, but where, may I ask, are the successful models? Outside the U.S., the only models are West Germany and Canada, both nations with problems and cultures so different from ours that it is difficult for me to believe we can compare ourselves to them in a meaningful way.

If the model for federalization of major and complex social programs is to be found within the United States, then I would ask you to cite a few examples of major social programs effectively executed within the federal establishment. Would you like to model the employment function upon HUD's success with housing? How about our welfare programs? Education? Public Health? Energy?

Another question is how one measures success. There is no reliable yardstick. We haven't achieved that state of sophistication in the public sector. In the private sector we have the bottom line, that magic number in the southeast corner of the balance sheet that tells you whether or not you were smart or dumb in the last quarter. We don't have that in the public sector.

I would like to express my appreciation to the Manpower Administration for their support and their attitude, and to my own Board of Directors for their courage in calling a conference not only of friends, but certainly of our most severe critics.

We appreciate your help most of all, and hope we will continue to deserve your support in the future.

F. J. Walsh

President
ICESA, Inc.

In my introductory comments I suggested we were not here to make excuses or be defensive or to assess credit or blame, but rather to lay out and look together at some extremely significant problems in our society specifically relating to the public Employment Service. In my judgment, I think we've done that very well.

I realize that some people have already said that we might have done better had we set our sights for longer range. I realize also that at points we got sidetracked because of frustrations with everday operating problems--but through it all I sense a willingness, a commitment to look down the road, to take advantage of the experience we've had to get on top of some of our problems, and to put to work some of the ideas that we have generated here.

As Murray indicated, we are committed to going ahead and implementing some changes. I'm sure this will not be easy--but I talked to our State Administrators and I know they are ready and willing to try. I'm confident that Bill Kolberg and his people are ready, and I want to assure you that as far as I'm concerned the Interstate Conference is going to take a very aggressive leadership role in bringing about some changes based on the very fine ideas that came out of this conference.

Thank you so very much for being with us.

William H. Kolberg

Assistant Secretary for Manpower
U.S. Department of Labor

I want to open these remarks by echoing what Murray Comarow said. I think both of us in this Federal-State partnership have proven something we suspected all along: We are an institution in search of a constituency. And, we haven't found that constituency, yet. By constituency, I am talking about specific groups who would have come to Chicago today, in 1975, and would have met with us to help us consider what we are doing and whether we are doing it in the right way at the right level or degree. I'm talking about employers, organized labor, chief elected officials--the Governors, Mayors of major cities, and the Congress of the United States. Those are the groups with whom we ought to be talking because we are in business to serve them. They pay the taxes, pass the laws, run the country. Yet, there is not one elected official in this room.

I hope that the next time we hold a conference of this kind, it can be something beyond the Federal-State partners worrying about how we feel about each other and how we look to the outside. Of course, I hope we continue to do that and I think we did that very well, but I certainly feel that there were some missing opinions.

I think the partnership has a set of relationships. I will repeat what I think Frank said the other day. Our relationships are in better shape than they have been. We do have an open dialogue. We are calling it straight back and forth. We are admitting to our problems. The next step, now is for us to enter into the political arena and become involved in the way that this country operates.

Priority setting for the USES is done in a political process and, if this process has some holes in it, it isn't done effectively. I would submit to you that for too long the Employment Service--and I am as guilty as anyone else--has enjoyed a protection in the give and take, rough and tumble of priority setting that goes on in the real world, which has tended to insulate it from the real world of politics. There should be less of this protection, to provide the Employment Service with a more pragmatic outlook as it becomes involved deeply in the political process.

What came as a real surprise to me was an important point that, apparently, had general agreement. Curt Aller reported that there was a general consensus that the Employment Service is now ready to consider seriously moving to a formula funding approach. Let me see if I understand what it means.

I agree with Phil Rutledge when he said yesterday that in the next ten years the direction of our social programs would be heading toward the decentralized mold; the CETA is one step in that direction. This means that operational responsibilities for social programs will become the responsibility, more and more, of chief elected officials.

What might that mean if, in fact, there is a consensus in this group that we ought to go to formula financing?

It might well take the same general form that CETA has taken if funds appropriated by the Congress were to be made available to the Governors of the 50 States based upon a formula, trying in an objective way to reflect the placement and employment problem in a specific State. I could think of a number of variations it might take, but I don't think you'll find it surprising that I generally concur in that approach. It has a great deal to do with not only formulating CETA, but seeing its successful passage in the Congress.

I believe in the decentralized mode of government. I have said many times to both the Board of Directors of the Interstate Conference, as well as to the full membership, that I believe a lot of our problems would be solved when it became clear that the Employment Service is a State agency reporting to the Governor--not the Employment Service reporting to me, a hired hand of the President.

Personally, I'm comfortable with that general concept. I'm not saying that this is the final word. It is merely my offhand reaction to what I find a very surprising announcement of consensus on the part of this group. I think it's something we ought to look at very carefully.

I will end where I began. I think the Employment Service is going to be healthier and more effective in the long run as soon as it becomes very much engaged in the political process. You are going to be far more successful on Capitol Hill than you have been--more than my colleagues and I have been--in taking about the importance of the Employment service.

Can you imagine the chief of the Governors' Conference going before the Appropriations Committees saying that the Employment Service is an important agency--not only in his State, but in every State--and that it produces tangible results? Can you imagine the president of the Chamber of Commerce appearing in support of an appropriation for the Employment Service? Unheard of? Can you imagine George Meany going before the Congress and saying the Employment Service provides absolutely essential services to organized labor and to the working women and men in this country? And that it ought to be funded at a given level? And that one million more placements are important?

The important thing about the conference, apart from the content itself, is that we, as public officials, are honestly and seriously devoting our time and attention to introspection, to where we ought to go from here. That process can only be good and can only produce results, and I trust that Murray Comarow's 9:00 a.m. meeting tomorrow will begin the next step in that process.

APPENDIX A

CONFERENCE AGENDA

- JOINT CONFERENCE-

of the

U.S. DEPARTMENT OF LABOR

Manpower Administration

and the

Interstate Conference

of

Employment Security Agencies, Inc.

(MA/ICESA)

"THE ROLE OF THE PUBLIC EMPLOYMENT SERVICE: 1975-1985"

Pick-Congress Hotel
Chicago, Illinois

April 22-24, 1975

A-2

CONFERENCE PROGRAM AND SCHEDULE

Date & Time	Program	Room and Floor No.
21st		
1:00-4:30 PM	Registration	Hotel Lobby
22nd		
8:30-5:00 PM	Registration	Via Escalator 3rd
1:30-4:00 PM	Briefing Session for Co-Chairpersons of Workshops	Lincoln, 3rd
Evening - 22nd		
5:30-6:30 PM	Reception	Francis I, 2nd
6:30	Banquet	Gold, 2nd
	Chairperson: Murray Comarow Executive Director, ICESA	
	Film Presentation "JOBS": William B. Lewis Associate Manpower Administrator U.S. Employment Service	
	F. J. Walsh President, ICESA and Administrator Employment Security Division Wisconsin	
	William H. Kolberg Assistant Secretary for Manpower U.S. Department of Labor	
23rd		
9:00-10:00 AM	Statements of Welcome Donald A. Johnson State Director of Labor, Illinois, and Sam Bernstein Assistant for Manpower to Mayor Richard J. Daley of Chicago	Florentine, 3rd

I. Summary presentation on "Mandates and Issues Confronting the Public Employment Service."

Chairperson: F. J. Walsh, President, ICESA, Inc.
Speaker: Mr. Kolberg

10:00-10:15 AM Break

10:15-12:00 Noon II. Summary presentations of papers on "What Should Be the Role and Objectives of the Public Employment Service in Meeting Society's Needs?"

Chairperson: William B. Hewitt, Associate Manpower Administrator, Office of Policy, Evaluation and Research

Authors:

(1) Dr. Eli Ginsberg, Director, Conservation of Human Resources Columbia University

(2) Jacob Clayman, Secretary-Treasurer, Industrial Union Department AFL-CIO

(3) Edward L. Cushman, Executive Vice President, Wayne State University

(4) J. S. Craiger, President, Iowa Manufacturers Association

12:00 noon-1:30 PM Lunch (Open)

1:30-3:00 PM Six workshops to discuss papers of preceding session

Workshop Rooms & Floors	
Florentine	- 3
Lake Shore	- 3
Grant Park	- 3
Lincoln	- 3
Washington	- 3
Plaza	- 2

3:00-3:15 PM Break

3:15-5:00 PM Plenary Session Florentine 3rd

III. Summary presentations of papers on "What Should be Federal, State and Local Responsibilities and Relationships in the Public Employment Service?"

Chairperson: Floyd E. Edwards, Associate Manpower Administrator, Office of Field Direction and Management

Authors:

(1) William L. Heartwell, Jr. Commissioner, Virginia Employment Commission

(2) Philip Rutledge, Chairman, Department of Public Administration, Howard University, Washington, D.C.

(3) Thomas Maloney, Mayor Wilmington, Delaware

(4) Nathaniel Semple, Minority Legislative Associate, House Education and Labor Committee

6:00-7:30 PM Dinner - Open

7:30-9:00 PM *Six Workshops to discuss papers of preceding session

24th

8:30-9:30 AM

IV. Summary presentations of papers on "How Should the Employment Service be Financed? Florentine 3rd

Chairperson: Albert J. Angebranndt Acting Associate Manpower Administrator, Office of Administration and Management

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*Same rooms as the first workshops

Authors:

(1) Henry Rothell, Administrator,
Texas Employment Commission

(2) Leonard Lesser, General
Counsel, Center for Community
Change, Washington, D.C.

(3) Geraldine M. Beideman,
Director of Employment Security
Cal-Tax, Los Angeles, California

9:30-9:45 AM — Break

9:45-11:30 AM — *Six workshops to discuss papers of preceding session.

11:30-1:00 PM — Luncheon — Windsor 1st

Summary presentation of paper on "Employment Service Experience in Foreign Countries."

Chairperson: Ross Morgan
Administrator
Oregon Employment Division

Author:

Dr. Beatrice G. Reubens
Senior Research Associate
Consdervation of Human Resources
Columbia University

1:00-2:45 PM — Reports from Discussion Groups — Florentine 3rd

2:45-3:00 PM — Break

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*Same rooms as the first workshops

3:00-3:45 PM	Recapitulation discussion of Conference Theme: "What is the Role of a Public Employment Service: 1975-1985?" Discussion Leaders: Bert Lewis Associate Manpower Administrator U.S. Employment Service Murray Comarow Executive Director ICESA, Inc.
3:00-4:00 PM	Final Comments: Mr. Walsh and Mr. Kolberg

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Subject:

What Should be the Role and Objectives of the Public Employment Service in Meeting Society's Needs?

Co-Chairpersons:

Samuel C. Bernstein, Assistant to Mayor Daley for Manpower,
Chicago, Illinois

John D. Crosier, Director, Division of Employment Security
Boston, Massachusetts

Joseph B. Epstein, Chief, Division of Research Methods and Service,
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William S. Harris, Assistant Regional Director for Manpower
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John F. Meystrik, Director of Employment Security,
Jefferson City, Missouri

Charles E. Odell, Consultant on Manpower, Pennsylvania Bureau
of Employment Security, Harrisburg

Mahlon T. Puryear, Director, Economic Development Department
National Urban League, New York, N.Y.

Gerald Somers, Professor of Economics,
University of Wisconsin; Madison, Wisconsin

Abraham Stahler, Deputy Director, Office of Employment Service
Administration, USES, Manpower Administration

S. Martin Taylor, Director, Michigan Employment Security Commission,
Detroit, Michigan

Subject:

How Should the Employment Service Be Financed?

Co-Chairpersons:

Curt Aller, Professor, Center for Applied Manpower Research Berkeley, California

Robert M. Brown, Assistant Regional Director for Manpower, Denver, Colorado

Louis F. Buckley, Consultant and Professor at Loyola University, Chicago, Illinois

Joseph Contois, Acting Unit Chief, Office of Field Direction and and Management, Manpower Administration

Randolph M. Hale, Assistant Vice President and Manager, Industrial Relations Department, National Association of Manufacturers

Earl Klein, Director, Office of Employment Service Administration, USES, Manpower Administration

Harold Kuptzin, Acting Director, Office of Technical Support, USES, Manpower Administration

Warren B. McAllister, Deputy Administrator, Department of Employment, Salt Lake City, Utah

Elmer W. McLain, Regional Director, Equal Opportunity Economic Commission, Chicago, Illinois

Walter M. Rapp, Executive Director, Oklahoma Employment Security Commission

Laurence F. Vickery, Chairman, Employee Relations, General Motors Corp., Detroit, Michigan

Jon Weintraub, Manpower Project Director, National Association of Counties, Washington, D.C.

Subject

What Should be Federal, State, and Local Responsibilities and Relationships in the Public Employment Service?

Co-Chairpersons:

Odric Baker, Chairman, La Courte Oreilles Indian Reservation, Stone Lake, Wisconsin

Manfred W. Emmrich, Chairman, Employment Security Commission, Raleigh, North Carolina

Lee Gruhlkey, President, IAPES, Houston, Texas

Mary A. Hallaren, Executive Director, Women in Community Services, Inc., Washington, D.C.

Donald W. Ickstadt, Director, District Job Service Office, Eau Claire, Wisconsin

Sam A. Morgenstein, Assistant Executive Director, Interstate Conference of Employment Security Agencies, Inc.

William A. Murphy, Owner, Murphy Employment Service, Inc. Oak Brook, Illinois

William U. Norwood, Assistant Regional Director for Manpower, U.S. Department of Labor, Atlanta, Georgia

Stanley H. Ruttenberg, President Ruttenberg, Friedman, Kilgallon, Gutchess and Associates, Inc., Washington, D.C.

Herman Travis, Assistant Director, Office of Research and Development, OPER, Manpower Administration, Washington, D.C.

Howard Young, Special Consultant to the President, United Automobile Workers, Destroit, Michigan

Glenn M. Zech, Director, Program and Management Services, USES, Manpower Administration, Washington, D.C.

APPENDIX B

POINTS CONSIDERED IN PREPARATION OF FORMAL PAPERS

What Should be the Role and Objectives of the Public Employment Service in Meeting Society's Needs?

- What do you foresee as being the major needs of society in the period 1975-1985 with which a public employment service should be concerned?
- What are alternate approaches (public employment service and others) in meeting those needs?
- Whom should the employment service serve in the light of such needs?
    - Should it be a broad-guaged organization, serving any and all clients interested in its service?
    - Should it serve primarily the poor and disadvantaged and others not generally served by private agencies?
    - Should it serve primarily job seekers who are job ready?
    - Whould it serve casual and other clients desiring short-term jobs?
- What kinds of service should it provide?
    - Should it be limited primarily to placing job seekers in jobs and filling job openings (a purely labor exchange function)?
    - Should it provide job counseling, job testing, and other technical services to job seekers?
    - Should it provide counseling for personal problems?
    - Should it provide intensive job search for specialized groups?
    - Should it restrict referrals to best qualified applicants at a given time?
    - Should it provide packaged occupational and labor market information tailored to client groups in the community (e.g., individual employers, chambers of commerce, trade associations, labor unions, school systems, counselors, high school and college youths)?
    - To what extent should services be provided to persons in rural areas? to migrants and other seasonal workers?
- What role, if any, should the employment service have in the employability development of non-job-ready job seekers?
    - To what extent, if any, should it recruit, and provide intensive manpower development services to the disadvantaged and others not yet ready for referral to employers?
    - What should its relationships be with other organizations and programs involved in serving these groups, such as prime sponsors under CETA, the WIN program, Trade Reform program, and others?
    - To what extent should it refer ES applicants to educational training, work experience, and other such facilities?

- What economic and social role should the public Employment Service have?
  - Should it play a major role in efforts to reduce underemployment or unemployment? What should that role be?
  - What role should it play in the mobility and relocation of workers?
  - What role should it play, if any, in influencing the fiscal, monetary, and economic policies of the U.S.?
  - What role should it play in collecting, reporting, and interpreting current shifts and developments in the national manpower picture?
- Should the public Employment Service be involved in investigating and compliance activities?
  - Can they be performed better by other organizations that are primarily involved in compliance activities?
- What should be generally the objectives of an effective employment service?
  - Are changes to the Wagner-Peyser Act desirable? If so, what should they be?

What Should be Federal, State, and Local Responsibilities and Relationships in a Public Employment Service?

- Should the public Employment Service be federalized?
- Should it continue as a Federal-State partnership?
- Should it be set up as a quasi-independent government corporation such as the U.S. Postal Service or the the Tennessee Valley Authority?

  Under any of the foregoing:
  - What should be the specific role and responsibilities of the federal government in the direction and operation of the Employment Service?
  - What should be the specific roles and responsibilities of the State governments? Of county and city governments?
  - What should the organization and structure be of the public Employment Service?
  - What should be the relationships between the Federal, State, and local levels?

How Should the Employment Service Be Financed?

- History
  - National Employment Service
  - Early Wagner-Peyser Act - State Matching

  - Passage of Social Security Act
    - . Unemployment Insurance Program
    - . Federal Unemployment Tax Act
    - . SS Board Regulation No. 1 - Use of Employment Service
  - Period of Total Financing from Federal Unemployment Tax Act
    - . Congressional Limitations
  - Entrance into Specialized Programs
    - . General Fund Financing
      - -- UCFE-X
      - -- Poverty Programs
      - -- 1970 UI Amendments

. Federal Unemployment Tax Act (FUTA) vs. General Revenues - Pros and Cons

  - Implication of Tying Closely to U.I. Employer Tax
  - Implication of FUTA Ceiling on Adequacy of Funds
  - Problems in Fiscal Policy (Are appropriations easier to obtain under FUTA? and vice versa?)

. Alternative Methods of Financing

  - Payment for Services by Clients
  - Reimbursement for Services Rendered to Other Programs
  - Other

. Proposed Methods of Financing Under:

  - Federalized Employment Service
  - Federal-State Partnership
  - ES Decentralization to Local Levels
  - Quasi-Independent Government Corporation

APPENDIX C

SUMMARY OF ORGANIZATIONS PARTICIPATING

Manpower Administration	41
Employment Service	141
Governors' Representatives	5
Other State Representatives	2
County	4
City	4
Congressional	3
Organized Labor	3
Minority Groups	6
Womens' Groups	1
Veterans' Groups	1
Handicapped Groups	1
Older Workers Groups	1
Private Employment Agencies	5
Industry	19
Universities	10
Total	247 people

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[*] Includes Chamber of Commerce, National Association of Manufacturers, General Motors, etc.

APPENDIX D

LIST OF PARTICIPANTS

ADAMS, Kenneth R.
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AGSALUD, Joshua C.
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APPENDIX E

"JOBS" - A FILM PRESENTATION

The newly developed film "JOBS" was presented for the first time at the dinner session of the conference on April 22. The 16mm film combines prepared slides and actual scenes with explanatory narrative and background music.

The film begins with scenes of the Great Depression of the 1930's. From this backdrop, the origins and development of the Employment Service are traced and explained. The film does not dwell on legislative language or organizational and administrative structures, but reveals the changing pattern of functions and responsibilities over the years. Each of the major periods in the life of the Employment Service is touched upon--the formative years, World War II, past-war duties, the Korean Emergency, the changing emphases of the 1950's, the training programs of the 1960's, the problems of the proliferation of programs, and the newest developments in the 1970's. The film concludes with a call for an examination of the future of the Employment Service and its role.

Following the conference presentation, the film was evaluated, and the script is being partially revised to reflect suggestions received. When the revisions are completed, an announcement will be issued regarding availability of the film.